

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

M A R C H I 9 4 0

SOCIAL SECURITY; WAGES AND HOURS SIMPLIFIED FORMS 49

THE CONDITION OF BUSINESS	1
THE FINANCIAL OMELET	ALBERT W. ATWOOD 19
THE \$6 BILLION TOURIST BUSINESS	M. F. BLOUIN 21
THE RIGHT PAY FOR THE JOB	EDWARD N. HAY 22
WHAT'S IN A TOWN NAME	T. D. MACGREGOR 24
BEHAVIOR OF INDUSTRIAL EARNINGS	RICHARD L. JOHNSON 25
HOW TO JUDGE JOB APPLICANTS	{MARIE L. SULLIVAN 27 MARJORIE S. DAVIS
EAGLE HEAD GOES TO THE BANK	DOUGLAS GOLD 28
AIR CONDITIONING (A SURVEY)	30
NEWS POOR	PICTURES 33
HOW THIS INCOME TAX STARTED	PICTURES 37
ARP IN A BRITISH BANK	PICTURES 40
WE ARE PLEASED TO PRESENT	PICTURES 41
A BANKER-FARMER FILM	PICTURES 43
POPULARIZATION OF BANK SERVICES	PICTURES 44
FEDERAL TAX MATTERS	THEODORE S. CADY 55
NEWS PAPER AND CALENDAR	56
BANKING'S DIGEST	85
• LETTING GEORGE DO IT	A. L. M. WIGGINS 87
• IMPROVING MONETARY MANAGEMENT	W. RANDOLPH BURGESS 90

WASHINGTON 3 • JUST A MINUTE 9 • NOTES ON NEW BOOKS 15 • THE LEGAL ANSWER PAGE 32 • METHODS AND IDEAS 64 • HEARD ALONG MAIN STREET 71 • FIVE TALKS ON INVESTMENTS 74 • ASK BANKING 78 • BANK MERCHANDISING KEEPS UP-TO-DATE 80 • RISK PREMIUMS ON PERSONAL LOANS 82 • INDEX TO ADVERTISERS 84



A MICHIGAN BANKING SERVICE

For over 90 years The Detroit Bank has been serving not only Detroit, but the entire state of Michigan.

This long, uninterrupted contact with business enterprises, individuals and banks has produced a most unusual understanding and knowledge of the facts about communities, their industries and banks.

The facilities and personnel of The Detroit Bank offer a complete modern banking service.

THE DETROIT BANK

30 Convenient Offices

Main Banking Office . . . Griswold at State

DETROIT, MICHIGAN

Member of Federal Deposit Insurance Corporation

The Condition of BUSINESS

THE OUTLOOK. The business outlook is predominantly favorable, although at least three important factors are working on the side of caution. One is statistical, another political and a third psychological.

The first concerns our case of gold indigestion. The resumption of gold circulation would help restore faith in the future, just as the inauguration of our present gold policy seriously undermined confidence. To many, resumption would signal the welcome end of this particular epoch and the beginning of another.

Second, there is the natural inclination of people engaged in manufacturing, buying and selling to wait and see which way the political cat is going to jump before planning too far ahead.

Third, there is the fear in many minds that the ordeal of being weaned away from the Treasury bottle is going to be very unpleasant. The genesis of this feeling is a widely held assumption that the decline of 1937 was caused by too abrupt a cut in Government spending. This may have been true, although the opposite would be much easier to prove, —namely, that every time in the past few years when there seemed to be any real hope for an end to deficits and socialistic experiments, business leaped ahead.

BETWEEN TWO WORLDS. In any case the problem is real and can be summed up in three sentences, Socratic style, except that the logic ends disconcertingly in a question instead of a conclusion.

1. Private funds will not get back into action as long as the Government continues to spend itself into debt.
2. Private enterprise has come to depend, to a considerable degree, on Government spending and cannot get along without the stimulant.
3. Therefore, what is going to happen in that interval between the time when Federal expenditures are cut down and the time when private funds acquire enough courage to get back into action?

A HARMFUL DOCTRINE. The worst thing that could happen is for this fear to prevail because it would lead inevitably to the very thing feared—a revival of huge Government spending on the simple theory that we cannot get along without it.

LETTER FROM A COUNTRY BANKER. A letter recently received from a banker in a small southern town draws a clear, intimate picture of one phase of the business outlook.

"Business conditions generally in this section," he writes, "for the past two years have been bad. For one reason we have had two crop failures and the Government is competing with country banks through various loan agencies to an extent that makes it hard for us. We believe this is true with all banks operating in agricultural sections in the United States.

"Most of these agencies, we understand, were created as emergency needs and as such, some of them were justifiable, but there is no excuse or defense in our opinion for independent business being taxed as it is by the Government and then the Government setting up permanent loan agencies that compete with independent business and especially on a basis of competition that the independent business cannot meet. Frankly it is my opinion that until some very radical change as to government competition is effected, all independent business is confronted with a very serious problem.

"If the Government through all of its various loan agencies would even be fair enough with independent banks to re-

quire at least two declinations from the local banks before a loan could qualify in any of the government agencies, this would at least show some spirit of cooperation. However, when the Government is willing to lend for almost any purpose at rates considerably lower than banks can afford to lend and the nature of these loans is frequently such as no bank can afford to make (and the Government cannot afford to either), just as long as this situation exists, there will be nothing but hard traveling for independent business.

"Personally, I think our situation with regard to independent business is a very grave one."

PROGRESS. We seem to have come a long way out of the depression since the latter part of 1932 and early 1933. Trade and industrial records show that we are within striking distance of the high level reached in 1929. This being so it might be asked why the shadow of depression still hovers over the whole economic scene. One reason is that all of the minor recoveries which have taken place, as in 1936 and the last half of 1938 and the Autumn of 1939, lacked one essential element—a healthy financial foundation.

CROSS INDEX. BANKING's index of the general trend of business, obtained from a poll of 3,000 bank directors and bank presidents in all sections of the country, compared with the previous month, is not so favorable as last month.

Forty-seven per cent of those polled for the purpose of this summary said that business was getting better, 33 per cent found conditions about static and 20 per cent reported a decline. The month before, 55 per cent said that the direction was up, 34 per cent reported that their respective enterprises were holding their own, and 11 per cent reported an unfavorable trend.

The composite cross index figure this month stands at 70, compared with 83 last month.

	UP	UNCHANGED	DOWN
August.....	44	42	14
September.....	62	26	12
October.....	65	26	9
November.....	62	28	10
December.....	53	30	17
January.....	55	34	11
February.....	47	33	20

DEBT CONSCIOUS PUBLIC. The way that Congress has been maneuvering to avoid raising the legal debt limit shows deference to the public's growing anxiety about the national debt. In spite of low rates, interest on the public debt for the current fiscal year will probably exceed a billion dollars and the figure will be higher for the next fiscal year.

All but a small part of the public debt is owned within the country. There is no annual drain upon resources going abroad to service it. Since banks and other corporations and individual holders of Government bonds constitute the people of the United States and the people constitute the Government, it has been argued that the debt is therefore owed by the people to the people. The implication is that there is nothing to worry about.

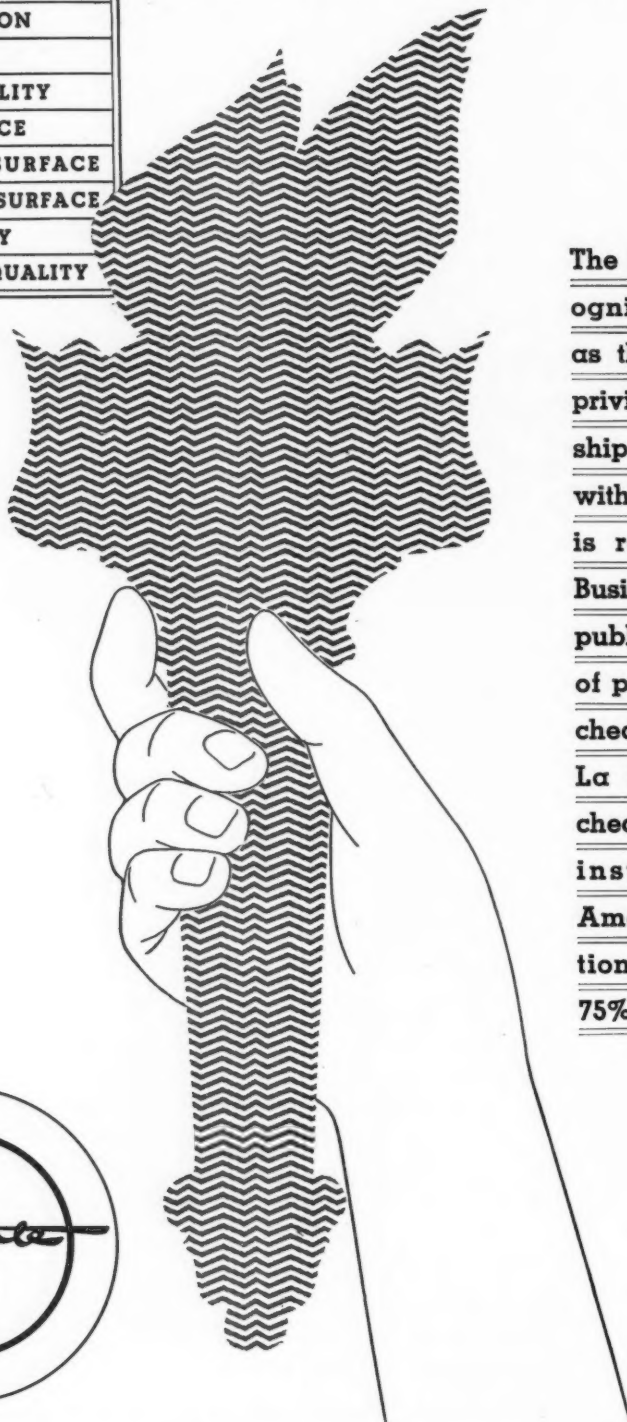
Unfortunately it does not work out that way. Debt incurred for value received in the form of property is one thing; debt incurred for the purpose of dissipating the proceeds, is another. It is the difference between a sound financial condition and insolvency.

WILLIAM R. KUHN

REASONS WHY BANKS PREFER
LA MONTE SAFETY PAPER

	PROTECTION
	GOOD WILL VALUE
✓	RECOGNITION
	PRESTIGE
	INDIVIDUALITY
	ACCEPTANCE
	WRITING SURFACE
	PRINTING SURFACE
	DURABILITY
	UNIFORM QUALITY

RECOGNITION



The Statue of Liberty is recognized by all Americans as the Symbol of the finest privilege of American citizenship»»»La Monte Safety Paper with its identifying wavy lines, is recognized by Bankers, Business Men and the general public as the highest standard of protection and quality in check papers » » »That's why La Monte is specified for checks and other negotiable instruments by leading American business institutions, including more than 75% of the 100 largest banks.



GEORGE LA MONTE & SON, NUTLEY, N. J.

WASHINGTON

Recoveries

Financial Washington is wondering where the lightning is to strike in the effort to recover funds from government credit and other agencies for a reduction of next year's budget deficit. In his budget message the President proposed to recover \$700,000,000 for the purpose and there is talk in the capital that the amount may be increased to an even billion dollars. When it comes to details, however, there is much uncertainty as to whence these sums or anything like them are to come.

The R.F.C. will undoubtedly be the chief source of recoveries. On December 31 it had surplus and undivided profits of \$267,962,972 and, as Jesse Jones, Federal Loan Administrator, reports, the corporation could spare \$200,000,000 without going out of business. Then, too, the corporation will collect around \$150,000,000 on outstanding loans during the coming 12 months if the record of the past year is maintained, and perhaps these collections could be applied to the recovery program.

When other agencies are considered, however, the outlook is not so favorable. Some of the concerns are probably somewhat overcapitalized and some of them have substantial undivided profits. Nevertheless, \$700,000,000 or more is a considerable sum of money and its manipulation is a matter which requires careful consideration.

Urban Mortgages

The Home Loan Bank Board estimates that mortgages were written last year on non-farm properties in the total amount of \$3,765,595,000. The amount written by banks and trust companies is estimated at \$924,479,000, while mutual savings banks are thought to have made such loans to a total of \$140,809,000. These figures apply to mortgage loans not in excess of \$20,000.

Stabilization Profits

In the Summer quarter of last year the Stabilization Fund in the Federal Treasury earned \$1,145,845 on its gold deals, which suggests that its earnings on this account in the past six months

Housing Loans

The local housing authorities of Syracuse, Allentown and St. Petersburg have borrowed about \$1,300,000 on long term to finance their portion of the United States Housing Authority program in these respective cities, the latter providing 10 and the former 90 per cent of the cost of the slum clearance enterprises. This 10 per cent phase of the housing plan has perhaps been given too little attention by bankers generally.

must have been rather fair interest on the \$200,000,000 it uses in its business.

Profits

According to a compilation of the Associated Press, the first 100 corporations to report on their 1939 earnings showed an increase of 67 per cent over last year, and if the largest utility be excluded the gain was around 100 per cent. Other surveys place the increased earnings of 370 corporations at the latter rate.

Master Specifications

The H.O.L.C. has issued its latest edition of "Master Specifications" for architects, contractors and technicians in connection with home rehabilitation and repair in the form of a 228-page book, the first edition having been a mere pamphlet. The publication has been of special value in connection with the preparation of properties acquired by foreclosure for sale or rental and has been used by many banks.

F.D.I.C.

From the beginning of its operations to the first of the current year the F.D.I.C. paid out \$148,600,000 to depositors of closed banks, of which it expects to recover about \$112,000,000. A loss of \$36,600,000 in six years of operation would seem to indicate that the present surplus of the corporation, \$163,411,000, which increased \$32,166,-

000 last year in spite of record outlays for the strengthening of weak banks and to promote mergers, would carry it through many years' losses.

Life Insurance Loans To Industry

The Equitable Life Assurance Society of the United States reports that its two-year experience with making direct loans to industry has demonstrated that, for capital issues up to \$500,000, publicly offered issues put out under regular S.E.C. regulations cost about three times as much as those handled by the company. The loans are reported as costing \$9 for each \$100 in the publicly offered issues as compared with \$3 per \$100 for those privately sold. The \$3 charge is broken down into \$1 for underwriting expenses and \$2 for lawyers, engineers, accountants, etc.

Foreclosures

The Home Loan Bank Board reports that foreclosures on urban properties by all types of lenders showed a greater decline last year than in any year since 1926. The decline last year was 11.5 per cent as compared with 1938.

Personal Loans

The personal loan business is rapidly changing from more or less of a monopoly of the personal finance companies to a recognized field of activity of all lending institutions. The American Association of Personal Finance Companies, whose headquarters are in Washington, can report increasing membership and increasing business for its membership, but also increasing competition. The prospect also is that the companies face a considerable reduction in the rates they may charge.

Within the past month one of the largest instalment financing companies in the country has decided to enter the personal loan field on a national basis, while the Savings Banks Association of the State of New York is sponsoring a bill before the New York Legislature which would authorize mutual savings banks to make personal loans.

(CONTINUED ON PAGE 5)

BANKING — Published monthly by the American Bankers Association, 22 East 40th Street, New York, N. Y., U. S. A. — \$3.00 per year.

Volume XXXII, No. 9. Copyright 1940. Harold Stonier, Publisher; William R. Kuhns, Editor. Assistant Editors, William P. Bogie and John L. Cooley. Production, August A. Small. Field Representatives: Alden B. Baxter, Advertising Manager, Prentiss Jackson, Jr., Robert J. Stiehl, 22 E. 40th St., New York City; Robert W. Kneebone, 230 N. Michigan Ave., Chicago, Ill.; R. J. Birch & Co., San Francisco, Cal.; Stanley Ikerd, Los Angeles, Cal. Washington office, Washington Building, 15th St. and Pennsylvania Ave. Subscriptions: \$3 yearly; Canada, \$3.36; foreign, \$3.72; single copies, 25 cents. Entered as second-class matter May 5, 1909, at the Post Office at New York, N. Y., under the Act of March 3, 1879. Additional entry at Concord, N. H. With the exception of official Association announcements, the American Bankers Association disclaims responsibility for opinions expressed and statements made in articles published in this Journal.

WHY EVERY MAN SHOULD HAVE THREE KINDS OF MONEY



SOONER OR LATER, a man comes to realize that instead of just one kind of money, he needs three.

For illness or other emergencies, he needs the kind of money he can lay hands on in a hurry. He needs cash in a bank.

To protect his family, he needs another kind of money. He needs a reservoir of dollars which will lie untouched during his lifetime, but which will spring to his family's aid if he should die.

The need for these two types of money is well recognized. One out of every 3 families in the country has a savings account. One out of every 2 has insurance.

But more and more people are beginning to realize the need for a *third* kind of money. Money which will be accumulated step-by-step during a man's productive years—and which will provide him with a substantial sum when his working days are done.

This is the kind of money on which many people have come to depend as an aid to financial security in old age—as a means of protection against the time when earning powers decline.

♦ ♦ The First Step ♦ ♦

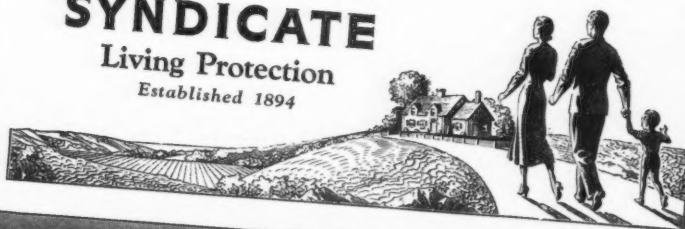
The first and most important step toward the solution of your money problems is to find out *where your money goes*. Keeping a record of what you spend is essential if you want to make the most of your income.

Investors Syndicate offers, without obligation, a copy of "Living Expenses"—*not a budget book*—a simple, easily kept record showing where your money goes. For your free copy, write Investors Syndicate, Department B-30, Minneapolis, Minn.

INVESTORS SYNDICATE

Living Protection

Established 1894



This advertisement is typical in character of a series sponsored by Investors Syndicate and now appearing in national magazines.

(CONTINUED FROM PAGE 3)

Following this, the governor of New York sent a special message to the legislature recommending that the maximum rate of interest which may be charged by licensed lenders under the state's small loan act be reduced from 3 per cent a month on any part of a loan not in excess of \$150 and $2\frac{1}{2}$ per cent on the remainder to not to exceed $2\frac{1}{2}$ per cent on any part of a loan under \$100 and 2 per cent a month on the remainder. The governor states that the proposed reduction in rates will save borrowers more than \$2,500,000 a year.

In connection with the proposal for lower maximum rates in the state of New York, the superintendent of banking in that commonwealth submitted some statistics of national interest. The Superintendent's department found that national chain finance companies had the best earning record, their net earnings on employed assets being estimated at 11.98 per cent, single concerns having earnings of 11.28 per cent while small chains earned 10.36 per cent and local chains 9.70 per cent. The business was found to be most profitable in cities of from 30,000 to 50,000 population where adjusted net earnings were estimated at 15.07 per cent. In places of less than 30,000 population earnings were estimated at 13.76 per cent, while in cities above 50,000 population earnings ranged between 11 and 12 per cent.

Inter-American Bank

The new Inter-American Bank to serve the 21 Republics of the Western Hemisphere is in the organization stage. Its purposes and powers have been agreed upon by the representatives of the nations concerned and have been submitted to the several governments for approval. The institution will act under a United States charter and will be located in New York or Washington, the latter being preferred by the diplomats. Its authorized capital is \$100,000,000 in shares of \$100,000 each. It is prepared to start business, however, when not less than five of the republics subscribe for not less than 145 shares—i.e., \$14,500,000. In subscribing for shares the governments must take a minimum of stock based upon the dollar value of their foreign trade in 1938. The proposed actual capitalization if all the governments subscribe the minimum is \$43,500,000.

It is hoped to sign the convention establishing the institution on Pan-American Day, April 14, and to have the bank functioning by Autumn. The

institution will be governed by a board consisting of representatives of the subscribing nations through officers which they will elect. Reading between the lines it may be suspected that the comparatively small sum to be subscribed by the United States, \$5,000,000, is so limited lest it be thought that Washington will dominate the institution. This, in fact, will be largely the case in any event, since the money market in this country and the gold stock of the United States are necessarily the chief pool from which the institution can draw its sustenance. The plan of the projectors of the bank, however, is to emphasize its international character and its independence of control by any one nation or group.

The bank will have power to make short, intermediate and long term loans in any currency or gold or silver to participating governments and to fiscal agencies, central banks, political subdivisions and nationals thereof, provided that loans other than to the participating government be guaranteed by the latter; to deal in obligations and securities of the participating governments which are not in default and those of fiscal agencies, political subdivisions, central banks and nationals thereof when guaranteed by the government; to guarantee loans from any source to governments or their agencies or nationals when guaranteed by the government; to act as a clearinghouse for funds, checks, drafts, acceptances and the like; to deal in foreign exchange, precious metals and currencies for its own account or for account of others; to issue debentures or other obligations to obtain assets for the purposes of the bank; to accept deposits from governments or their subdivisions or agencies and nationals; to discount and rediscount bills, acceptances and the like and to rediscount such obligations with governments or their agencies or nationals; to open and maintain demand, time and custody accounts on which interest, however, can be paid only to governments; to act as fiscal agent for any participating government, its agencies or subdivisions; to engage in financial and economic studies and publish the results thereof; and to deal in cable transfers, accept bills and drafts and issue letters of credit. All transactions affecting the direct interests of any of the governments concerned are subject to the timely objection of such government.

Investigation of Banking

The Federal Reserve Board, the Secretary of the Treasury, the Securi-

**MEN, I WANT YOU TO GET
BEHIND IMPRINTED CHECKS**



Retail Banking

NEEDS MORE SALESMEN!

Small banking transactions have stolen the spotlight. The loaning officer who formerly "placed a hundred thousand" before lunch now must establish contacts with several hundred people in possible need of small loans. Balances have to be large indeed these days if they are to be compensating. But accounts of fifty dollars produce healthy service charge revenue. Small sales and small unit profits... yet not a bad picture, everything considered.

Retail banking needs more sales-conscious people... people alert to sales opportunities and attuned to nickel and dime business. Start your people selling with the De Luxe Personalized Pocket Check Sales Plan. Two hundred imprinted checks for \$1.00 is a small sale, but good training and profitable as well.

Everyone likes to use personalized checks, especially when he can buy them 45% below the regular price... as he can under the Plan we speak of. You also save substantially on check expense.

Send for descriptive folder No. 13. It tells the story more completely

De Luxe
CHECK PRINTERS
Lithographers and Printers

Plants at

NEW YORK CLEVELAND CHICAGO
KANSAS CITY ST. PAUL

COMMERCIAL INVESTMENT TRUST INCORPORATED



COMMERCIAL INVESTMENT TRUST Incorporated, with capital and surplus in excess of \$56,000,000, provides a nation-wide sales finance service through subsidiary companies with a network of branch offices throughout the United States. This service, which consists of purchasing self-liquidating accounts, extends to automobile dealers, household appliance dealers, and to manufacturers and dealers in many lines of industrial, commercial and professional equipment, including the heavy goods industries.

C. I. T. offers its standard notes for short term accommodation in varying amounts from \$1,000 to \$100,000, in maturities from 60 to 270 days and at current discount rates. These notes are payable at any of our 285 depository banks located in principal cities throughout the country.

Latest published financial statement and list of depository banks will be mailed upon request.

ADDRESS

**Treasurer,
Commercial Investment
Trust Incorporated
1 Park Ave., New York, N. Y.**

ties and Exchange Commission, the F.D.I.C., and other government agencies having anything to do with banking or finance are now engaged in preparing reports for the Senate Banking and Currency Committee, which is to investigate the banking business preparatory to open committee hearings on various phases of the investigation, which are expected to commence in March.

Among other subjects on which reports have been asked are gold devaluation, the operations of the Stabilization Fund, silver purchases and the silver policy generally, bank examinations and security valuation policies of banks, the chartering of new banks, bank holding companies and all kindred phases of broad banking and monetary policies of the Government. Reports along these lines are also asked of the Brookings Institution, the Twentieth Century Fund and the American Bankers Association. The intention of the Committee is to make the investigation as broad as possible and the Committee proposes to take its time about the whole enterprise.

Small Business "Loans"

The one possible exception to the prospect of no legislation on banking subjects is the irrepressible matter of loans for small business concerns, or, rather, some means by which such concerns can secure working capital. Senator Mead of New York is pressing his bill. There is more support at present, however, for a proposal, fostered by Jerome Frank, Chairman of the S.E.C., for the Government to set up an investment company which could take stock in businesses of this sort. The theory back of this proposal is that small businesses are seeking capital, not loans; not debt but equity financing.

At present under S.E.C. regulations it costs about as much to float a \$100,000 stock issue as one five times that amount. This situation could be avoided if there were in existence a new form of investment company which, under the law, could purchase such issues without public flotation. Since the R.F.C. at present has power both to make loans to small businesses and to take stock in such enterprises the opposition to the new proposal professes an inability to see wherein a new institution is necessary.

Nevertheless, pressure from small concerns for greater financing facilities is being represented as strong and something may be done in the way of meeting their "demands."

GEORGE E. ANDERSON

"GENTLEMEN



"Since we acted on the Berkshire Mutual agent's advice five years ago, the cost of fire insurance on our property has been materially reduced, and we have saved hundreds of dollars each year. I have transferred all my personal insurance on my house and cars to the Berkshire, and it will pay you to do the same. Why not call the Berkshire agent today? Their folder, 'Through Four Generations', tells their complete story if you are not familiar with it."

**BERKSHIRE
MUTUAL FIRE
INSURANCE CO.**
INCORPORATED 1835
PITTSFIELD, MASSACHUSETTS
"OVER ONE HUNDRED YEARS
OF CONTINUOUS SERVICE"

"Unforeseen events . . . need not change and shape the course of man's affairs"



BAD LUCK?

To many people, breaking a mirror is a sure sign of impending calamity. Such is the power of superstition.

Better than relying on superstition . . . better than court-
ing *good* luck . . . is to make sure of a cushion against the
effects of *bad* luck.

You may suffer an injury despite every precaution . . .
and a Maryland accident policy is the best shock absorber
for this kind of bad luck. A broken leg can cost you a lot
of money . . . a hospital sojourn requires cash.

Even though you break no mirrors, the chances are about
one in thirty that you will be an accident victim this year.
Why take such a risk unprotected, when for a compara-
tively small sum you can get a policy that will provide an
income should misfortune single you out?

The policy that you get should also take care of your
doctor's and hospital bills. Your Maryland agent or broker
can tell you about this timely feature of our coverage . . .
Maryland Casualty Company, Baltimore.

THE MARYLAND

*The Maryland writes more than 60 forms of Casualty Insurance and Surety Bonds. Over 10,000 Maryland agents and brokers
are equipped to help you obtain protection against unforeseen events in business, industry and the home.*



Complete Banking Service
for Individuals, Firms and Corporations

BANKERS TRUST COMPANY

16 WALL STREET, NEW YORK

FIFTH AVE. AT 44TH ST.

57TH ST. AT MADISON AVE.

LONDON: 26 OLD BROAD ST.

Member of the Federal Deposit Insurance Corporation

JUST A MINUTE

Spring?

IN HIS JOURNAL for March 1, 1838, THOREAU wrote: "Spring. March fans it, April christens it, and May puts on its jacket and trousers."

After the Winter from which we are presumably emerging, most of these United States will be glad indeed when the breeching-time arrives.

At 22 East 40th Street

THE ENLARGED ACTIVITIES of the American Bankers Association, outlined and explained by President ROBERT M. HANES in February BANKING, are well under way. The new members of the staff whom Mr. HANES introduced have been on the job for several weeks, slipping easily into the Association's work; with much of it they were familiar from previous contacts.

Fact-finding, consultation, study, mutual exchange of ideas and other useful works are coordinated at 22 East 40th Street, New York, in a program of services for all banks. Making the services available, however, is only half the story. The other half is to put them to use. Toward that end the A.B.A. plans to do its best to see that the data it is gathering are distributed and explained.

Rating AAA

BANKERS WHO HAVE a couple of days to invest will find that the New York and Denver conferences offer liberal yields with the utmost security.

A visit to either means contact with fresh viewpoints, a broadened outlook, a chance to meet old friends and make new ones, and an opportunity to break from the rut and view one's self from the outside, so to speak.

Also it means participation in a sort

of question and answer game. The questions are those arising in the day to day course of business. The answers are provided by experts who are on the program because they are experts.

This sounds like a sales talk. It isn't. It's a simple statement of fact about an investment opportunity of which many bankers are taking advantage.

Omelet à la Atwood

THIS MONTH'S ENTRÉE is "The Financial Omelet." The ingredients of this particular concoction, put together in accordance with the 1933 edition of the Washington cookbook, are the Government credit agencies.

Mr. ATWOOD analyzes the dish but doesn't attempt to unscramble it. He says frankly that he can't.

Who can?

Name It

MEANING, OF COURSE, the picture on this page.

Yes, it's another contest, and there's another check awaiting the writer of the best title.

That statement should be footnoted immediately to say that in case of tie duplicate, triplicate, etc., prizes will be awarded. Three people in our last batch of contestants turned in the same title (no collusion), whereupon we cheerfully paid out a total of \$15.

Apparently these unpretentious opportunities for the use of wit, wisdom, skill, or whatever it takes to win prizes, are highly popular with BANKING's readers. We'll keep them going as long as the interest holds.

Observe one simple rule: Your entry or entries must be postmarked not later than March 15 and mailed to Contest



What
Shall
Its
Title
Be?

March 1940

SPECIALISTS IN

UNITED STATES GOVERNMENT SECURITIES

GUARANTEED ISSUES
FEDERAL LAND BANK
OTHER AGENCY ISSUES
TERRITORIAL AND
MUNICIPAL BONDS

C. J. DEVINE & CO.

INC.

48 WALL STREET, NEW YORK

HAnover 2-2727

CHICAGO • BOSTON • PHILADELPHIA
CINCINNATI • ST. LOUIS • SAN FRANCISCO

Direct Wires to all Offices

STATEMENT ANALYSIS

STATEMENT

December 31, 1939

Assets \$7,014,075.42
*Liabilities 4,353,713.60
**Surplus \$2,660,361.82

* Liabilities include \$800,000 voluntarily established as contingency reserve.

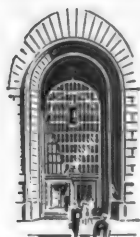
** Actual surplus \$3,460,361.82. Amount of such surplus which constitutes a permanent fund \$1,000,000.

MILLERS NATIONAL'S statement as of December 31, 1939 reveals assets increased to \$7,014,075.42, a gain of \$329,596.97, or 4.9%. Unusual liquidity is evident in the fact that 88.8% of its total assets is convertible into cash on short notice.

MILLERS NATIONAL INSURANCE COMPANY

ESTABLISHED 1865

HOME OFFICE • CHICAGO



SERVING AMERICAN BANKS IN 29 COUNTRIES

Complete correspondent services available to American banks through an extensive branch system in Canada, Latin America and Overseas.

Over 600 branches in Canada and Newfoundland; 44 branches in Cuba, Puerto Rico, Dominican Republic, Haiti, British and French West Indies and 21 branches in Central and South America. Also in London and Paris. Enquiries invited.

THE ROYAL BANK OF CANADA

HEAD OFFICE, MONTREAL

ASSETS OVER \$960,000,000

New York Agency, 68 William Street

GMAC

GENERAL MOTORS ACCEPTANCE CORPORATION

is engaged primarily in facilitating wholesale distribution and retail sales of the following products of General Motors Corporation and its world-wide affiliates: CADILLAC, LA SALLE, BUICK, OLDSMOBILE, PONTIAC, CHEVROLET automobiles; FRIGIDAIRE appliances for refrigeration and air conditioning; DELCO lighting, power and heating equipment; GMC trucks; BEDFORD, VAUXHALL, OPEL, BLITZ—

foreign made automotive vehicles.

The business consists of investments in self-liquidating credits, widely diversified as to region and enterprise, capital employed being in excess of \$80,000,000.

In obtaining short term accommodation, GMAC issues one standard form of note. This obligation it offers to banks and institutions, in convenient maturities and denominations at current discount rates.



These NOTES are available, in limited amounts, upon request.

EXECUTIVE OFFICE NEW YORK • BRANCHES IN PRINCIPAL CITIES

Editor, BANKING, 22 East 40th Street, New York City.

To whom do we make out the check?

In postscript, it might be said that this month's picture was drawn by ERWIN O. MEEH, assistant cashier of the Irvington (New Jersey) National Bank.

Indians

EVERYBODY ON THE staff who read the manuscript of Douglas Gold's "Eagle Head Goes to the Bank" said he could hardly keep from cheating—that is, taking a look at the end of the story from about the halfway point. This seems to be a sturdy test of reader interest, which is what (putting it in the vernacular) this piece has plenty of.

Writing from Browning, Montana, Mr. GOLD says that since 1914, as banker, merchant, teacher and rancher, he has kept a notebook of his experiences with the Blackfeet. There are many stories in that notebook, and don't be surprised if more of them find their way into BANKING.

Meanwhile, this month's treat begins on page 28.

India

SPEAKING OF INDIANS, we're reminded of a letter recently received from India. The writer, A. MADHAVI PAI, is secretary of Canara Bank, Ltd., Mangalore, and he was forwarding the draft for his bank's subscription.

Of course we were glad to renew; but even more pleasing was this paragraph in his letter:

"We are interested readers of your magazine, and the fact that we in far away India should find BANKING of absorbing interest and practical use surely speaks volumes for its excellence and especially its practical treatment of the banker's problems."

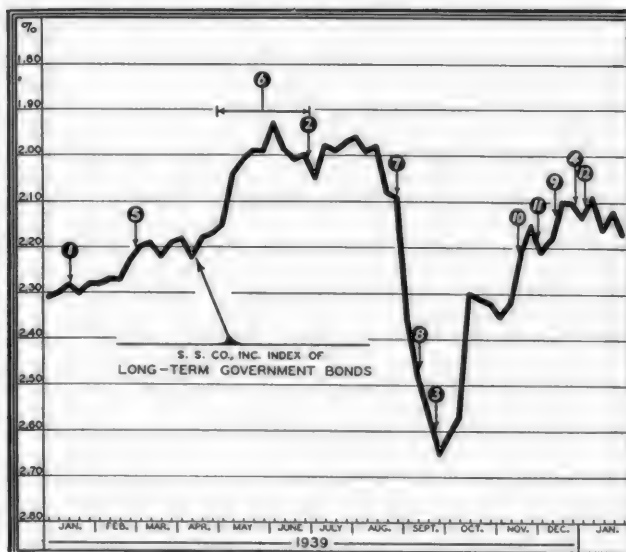
Common Stocks

Mr. JOHNSON's article on common stocks is the result of a study made recently for the use of the investment advisory committee of a large bank in the Middle West. The conclusions have aroused considerable interest and discussion, and Mr. JOHNSON writes that further analysis along this line is contemplated.

As a piece of practical fact-finding, it will be studied by many readers, whether they are bankers or not.

Personnel

AFTER READING Mr. HAY's discussion of salary control, turn to the SULLIVAN-DAVIS collaboration on hiring (CONTINUED ON PAGE 12)



DID YOU KEEP YOUR CASH WORKING in 1939?

STANDARD PLANNED INVESTMENTS' clients received this advice on U. S. Government securities in 1939.

In presenting the record in this advertisement, we first submitted it to our bank clients, and asked them to wire us if it did not accurately reflect, within the limits of their investment programs, our recommendations in respect to "Governments" during the year.

It has been gratifying to us that not a single one dissented.

We recognize of course, that as a practical matter institutional funds cannot remain idle indefinitely. As we see it, 1940 will present no greater investment difficulties than 1939. We are confident that our advice for this year will be as effective as for last year.

Send for booklet describing a New Method of Planning Bank Investments.

STANDARD STATISTICS CO., INC.
345 HUDSON STREET • NEW YORK CITY

Medium Terms

1939

- | | | |
|--------------------|-------------|---|
| 1 January | Buy | Temporarily for income |
| 2 June | Sell | Take profits...buy $\frac{1}{2}$ "long terms" ... hold $\frac{1}{2}$ cash ... reduce exposure—maintain income |
| 3 September | Buy | Temporarily for income |
| 4 December | Sell | Take profits buy $\frac{1}{2}$ long terms ... hold $\frac{1}{2}$ cash ... reduce exposure—maintain income |

Long Terms

- | | | |
|--------------------|-------------|---|
| 5 March | Buy | Day offering of $2\frac{3}{4}$ s, 1960-65 was announced at a premium, market for bonds and $2\frac{1}{8}$ s, 1939 notes broke badly. We wired noteholders "ADVISE SELL $2\frac{1}{8}$ TODAY AROUND 101.20". Two hours later market continuing down—again wired: "IF UNABLE SELL NOTES THIS MORNING RECOMMEND EXCHANGE FOR $2\frac{3}{4}$." |
| 6 May-June | Sell | To reduce sharply maturities longer than 10 years |
| 7 August | Buy | To extent of 25% of available cash |
| 8 September | Buy | Use balance of investable cash |
| 9 December | Sell | Again reduce maturities over 10 years |

A Profitable Exchange Operation

- | | | |
|---------------------|-----------------|--|
| 10 November | Buy | $1\frac{1}{8}$ Notes at not over 101 $\frac{1}{32}$ |
| 11 December | Exchange | Notes for $2\frac{1}{4}$ s, 1951-53 |
| 12 Jan. 1940 | Sell | $2\frac{1}{4}$ s, 1951-53 at market (103 $\frac{1}{32}$) as fully valued. Clients have reported sales prices averaging 103 $\frac{1}{32}$ |

Except in September, following outbreak of war, all purchases were suggested primarily because of the pressure for income but subject to a basically bearish viewpoint with regard to high grade bond prices.

BANKS differ not in their desire to render complete and efficient service, but in their ability to do so.

A broad experience, extending over more than a century and a quarter, has equipped us to meet the most exacting needs of a wide and valued clientele of correspondent banks.

However well you are now serving your customers, an account with us should enable you to serve them better.

... THE ...

PHILADELPHIA NATIONAL BANK

ORGANIZED 1803

PHILADELPHIA, PA.

Capital, Surplus and Undivided Profits
\$42,000,000

Member of Federal Deposit Insurance Corporation

(CONTINUED FROM PAGE 10)



SAFETY FIRST

"Safe or not, I ain't crawlin' through that thing for nobody!" is the caption on this cartoon in *The Dark Horse*, published by Lloyd's Bank, Brighton, England

the right employee. Or reverse the procedure and read the latter first; the order doesn't matter.

The point is that both are, as you may have guessed, discussions of personnel matters in which all bankers, particularly bank officers, are concerned.

Travel

SECRETARY HULL HAS encouraged sea travel in the Western Hemisphere on American flag ships, characterizing as "unnecessary" the fears that have led to curtailment of tourist and business trips to American countries.

Such reassurance is not needed, of course, on domestic travel, for even the most timid can hardly expect to be annoyed by belligerents' activities in Uncle Sam's inland waters or over his broad acres.

This is a left-handed way of leading up to the point that banks can do a good bit to encourage outside interest in their own localities. Mr. BLOUIN goes into this point more extensively and expertly in his article on page 21.

Well, Why Don't You?

THE REFERENCE IS TO "ASK BANKING." Here's a department of the magazine that seems to hold unusual opportunity for the reader who has questions to ask about bank operations. Many readers are taking advantage of it, but there's room for more.

Mr. WOOLLEY, who does the answer-

BANKING

ing, says the first prize of \$5 for the month's best inquiry, goes to the question of greatest interest to the largest number, an arrangement that seems fair enough.

Is it possible some readers might find that the answer to just one question was worth more than the cost of a year's subscription?

Think it over.

Pennies or Nickels

A CAREFUL READER rises to remark:

"In the December last issue of **BANKING**, under the heading 'Would You Believe It?', there appeared the statement: 'Prior to 1933 it was legal to refuse payment in pennies or nickels of any debt over 25 cents. Now a purchaser of a house and lot can pay in one-cent pieces.'"

Our correspondent encloses an article from another publication stating that pennies and nickels were legal tender in amounts not exceeding 25 cents.

In reply, **BANKING** quoted the Act of June 5, 1933 (Public Resolution No. 10, 73rd Congress) which in Section 2 provides that "all coins and currencies of the United States (including Federal Reserve notes and circulating notes of the Federal Reserve Banks and national banking associations) . . . shall be legal tender for all debts, public and private," etc. The Act placed no limit on the amount. The earlier provisions of the law were as cited by our reader.

Getting very literal and technical, we were wrong in speaking about "pennies", which is Anglo-Saxon for "cents".

Defiance (Ohio)

WHEN MR. MACGREGOR, specialist in unusual facts, was gathering material for this month's article on unusual place and bank names, he wrote to The State Bank of Defiance, Defiance, Ohio.

In reply, O. W. NEWTON, cashier, not only explained that the town was named after General WAYNE's fort, but wrote an extensive account of Mad Anthony's operations and of the old Northwest Territory. We're sorry there isn't space to reproduce the whole story, for we, too, have an acute interest in the antiquities.

Mr. NEWTON also speaks of the proposed national memorial parkway which would follow as closely as possible the original route taken by General WAYNE in 1793 and 1794.

BANKING in Gregg

THIS PARAGRAPH should be in short-hand, but the printer's typesetting

machines don't carry it so the orthodox Old Style 31 will have to do.

The "Know Your Bank" article displayed on page 37 of the February issue is to reappear in a forthcoming textbook of the Gregg Publishing Company. Writing to ask permission, Miss E. LILLIAN HUTCHINSON, Gregg production editor, said:

"We consider this excellent copy for student use."

Of course **BANKING** was pleased to grant her request.

Government Finances

THE EXCERPT FROM President ROOSEVELT's budget message which appeared in the February Digest prompted the following letter from FREDERICK T. KUHN, president of Kuhn & Company, Chicago actuaries:

"You quote part of ROOSEVELT's budget message in the February issue, but nowhere do I find a statement contradicting 'Government has 7 billion dollars of cash, gold available for debt redemption, and proprietary in-



"IT'S MY FAVORITE BARGAIN"

"A bargain," says the dictionary, "is an advantageous transaction."

Telephone service is like that.

Advantageous to you because it saves time, steps and trouble. Stands guard over the security of your home. Helps you to keep in touch with relatives and friends.

And does all of this as a real bargain should—at low cost. Pennies buy wings when you reach for the telephone.

BELL TELEPHONE SYSTEM



"Beauty is
as beauty does"



This is the new Ediphone for your desk. It's beautiful. And it does a beautiful job in bringing greater achievement to your business day.

It's wonderful to *talk* your work away... to pour into this 8½"x11" miracle your notes, letters, instructions. Your desk's cleared of papers—your mind of details—you work in peace and so does your secretary. That's Edison Voice Writing—it's beautiful!

Two new streamlined beauties to try—the letterhead-size Ediphone *on* your desk, the cabinet Ediphone (see below) *at* your desk—without obligation. Write Dept. K3, Thomas A. Edison, Inc., West Orange, N.J.—*or*—Thomas A. Edison of Canada, Ltd., 610 Bay Street, Toronto.

SAY IT TO THE

Ediphone
EDISON VOICEWRITER



The Cabinet Ediphone

... it's beautiful, too!

A square foot (floor space) of magic! Like the desk model, completely enclosed, dust-proof, compact, smart. With self-closing correspondence and record compartment. See it. Try it.



terests in Government corporations, which reduces the net debt to 35 billion dollars.'

"The only gold that the Government has for debt redemption would be the profit on the write-up of the value of gold in the stabilization fund. The equity on Government corporations is problematical. He forgot to mention the Thomas Amendment.

"These statements, in the writer's opinion, should not pass without comment in your next issue."

We were only reporting what the President said, viewing his remarks as an authoritative summary of one side of the Government debt controversy.

ALBERT W. ATWOOD did take occasion to comment. In last month's article "Not Quite Up to Our Ears", Mr. Atwood called this part of the budget message "the President's masterly apology, which incidentally all bankers should read." He added that it was "as significant for what it omits as for what it contains."

Oldest Director?

AT 96, MRS. MARGARET H. STANBERY helps to run the Pomeroy (Ohio) National Bank as a director. Her sons, Hart and Philemon B., Jr., are president and vice-president, respectively.

Mrs. Stanbery's husband was president of the bank from 1900 to 1906. She was made a director in 1924.

Her father-in-law, Henry Stanbery, was U. S. Attorney General under President Johnson, resigning to defend Johnson in the impeachment trial.

The picture was taken last December 21, Mrs. Stanbery's 96th birthday.



Seated with her is Hart Stanbery. Standing, left, is Philemon, Jr., and another son, Dr. Henry.

Edison Hobstetter, the bank's cashier, writes: "We are wondering whether Mrs. Stanbery is the oldest active national bank director."

Notes on New Books

BANKING Suggests

Economic Balance and a Balanced Budget. The Public Papers of Marriner S. Eccles. Edited by Rudolph L. Weissman. (Harper & Brothers, New York.)

You Don't Have To Be Rich. By Allan Herrick. (D. Appleton-Century Co., New York.)

Studies in Enterprise and Social Progress. (National Industrial Conference Board, New York.)

Capitalism the Creator. By Carl Snyder. (The Macmillan Co., New York, \$3.75.)*

*To be reviewed next month.

Indeed They Were!

BEFORE you go further, be advised that the Book Department this month opens in lighter mood. So if you don't feel light, skip to the next column where, we expect, the going will begin to take on weight.

The occasion for this apologia is a book called *Things Used To Be Different*, by Alonzo Clark Robinson (Longmans, Green & Co., New York, \$2.50). Between its covers is as jolly a reading adventure as you're likely to find this season. Mr. Robinson, using an anonymous friend as his mouthpiece, sets down happy-go-lucky reminiscences of the good old days before the Yale boys had cars and when the Frohman boys had Broadway. Famous names, personalities and places move through these pages in gay abandon, with just enough philosophizing to leaven the whole thing. Indeed, things *were* different. If you've forgotten, if you remember, or if you never knew (you really should), this book will be a memory jogger and a guide. And it's a good antidote for politics, the income tax and the war.

Personal Finances

THE other day one of the young women who help to publish *BANKING* came into the cubicle where the new books convene before they march past the reviewing stand. On the table, just freed from its wrapping paper, was Allan Herrick's *You Don't Have To Be Rich* (D. Appleton-Century Co., New York, \$1.75). Our colleague borrowed it.

A couple of days later we asked for a progress report.

"It's a good book," she said, not realizing she was speaking for publication. "It tells how to get along on a small income. It's helpful, interesting, practical and simply told. If you have any ingenuity you can apply the examples to your own affairs. I liked it."

That seemed to be a good review, so there it is. Adding a little detail, we might say that Mr. Herrick's advice on financial preparation for marriage, home-ownership, the family budget, doctor bills, insurance, small investments and other problems, is sound and eminently workable. He also offers hints to youngsters on how to earn one's way through school and college, and then on how to get a job.

Mr. Herrick sums up pretty well himself when he says: "This is the book I wish someone had handed me on my sixteenth birthday. It might have given me an inkling of some of the practical problems I would soon face in life."

March 1940

To which might be added: He has done a mighty good job at meeting this deficiency for others.

Mr. Herrick is advertising manager of the Security-First National Bank of Los Angeles.

Credo

MOST of *BANKING*'s readers are familiar, presumably, with the economic and financial philosophy of the Chairman of the Board of Governors of the Federal Reserve System.

Now his public papers—some of them, rather—appear in book form under the title *Economic Balance and a Balanced Budget* (Harper & Brothers, New York, \$3), edited by Rudolph Weissman. The volume is offered as a contribution to public discussion of problems that are bones of sharp contention; it is an authoritative presentation of one side of a controversy, and is thus something more than a collection of speeches, statements and writings.

In an important first chapter written especially for this book, Mr. Eccles states his "Credo", summarizing the major points brought out in the papers and outlining a program of long-range national policy for government, labor and industry. The first principle of that policy, he believes, should be "to direct the flow of our national income so as to maintain an equilibrium between the goods and services that we are able to produce and the purchasing power wherewith our people can command them." The Government's role would be to furnish channels for investment funds when private investment is sluggish, rerouting the funds when Government activity reaches the stage where it competes with private enterprise for men, money and materials.

There is much in the book about the budget (we must correct the "unbalance" of our economy "before we can hope to remedy the unbalance of the budget"), production and consumption, national income, the use of savings, Government spending, inflation, silver, "compensatory action", private enterprise and other major matters. On them Mr. Eccles expresses his views realistically.

Mr. Weissmann introduces each paper with some background material. He also writes a laudatory preface.

RFC and Railroads

A RECENT critical study of the aid given to the carriers by a Government agency ably covers a depression problem that still awaits final solution. The book is *Reconstruction Finance Corporation Loans to the Railroads, 1932-1937* (Bankers Publishing Co., Cambridge, Mass., \$3.50), written by Dr. Herbert Spero who is on the staff of the A.B.A. Research Council and the economics faculty of the College of the City of New York. Taking up the cases of seven roads that filed under Section 77 of the Bankruptcy Act, Dr. Spero analyzes the fundamental weaknesses that got them into financial trouble and appraises the wisdom of RFC loan policy. He finds that this policy not only tended to preserve unsound capitalizations and thus perpetuate the weaknesses, but it also put the Government into railroad affairs as a direct investor and thus weakened the position of the private holder of railroad securities. What this may mean in the matter of eventual Government ownership remains to be seen; however, it is possible that in the role of investor the Government can wield a constructive influence, particularly toward conservative, economic capitalization.

"A flash of lightning
in a dark night!"

CAPITALISM THE CREATOR

The Economic Foundations
of Modern Industrial Society

By CARL SNYDER

"It shows up in almost indecent nakedness some of our popular programs for progress."

\$3.75 WM. TRUFANT FOSTER

Other New Books for Bankers:

TURNING POINTS IN BUSINESS CYCLES

By LEONARD P. AYRES \$2.75

TIDES IN THE AFFAIRS OF MEN

By EDGAR L. SMITH \$2.00

THE MACMILLAN COMPANY
60 Fifth Ave., New York

IT "IRONS OUT" the wrinkle in

Bank-Employee Relations

A VOLUME of indispensable information and guidance for every bank employee or prospective employee, by—

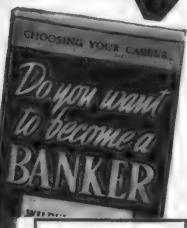
WILBUR F. CROOK

Vice-President and Branch Supervisor, Chemical Bank and Trust Co. of New York

A noted bank executive, who began as an errand boy, gives you the invaluable benefit of his own long experience. He helps employers to eliminate turnover expense and keep a more efficient, satisfied staff. He gives employees and prospective employees sound, practical advice on how to build a successful career.

Contents include: Qualifications for Success, Types of Banks, Operating and Executive Positions, Functions of Various Departments, Conduct and Personal Relations, etc.

NOTE TO EMPLOYERS: ONLY \$1.50
Especially recommend this book to all new employees.



Banking: "An excellent vocational guidance book."

The Southern Banker: "This book is recommended to all who contemplate making banking their career."

The Banker and Financier: "Excellent written and informative — the most suitable book hitherto published."

Financial World: "Excellent advice — not a textbook — a guide."

FRED. A. STOKES, INC., Dept. B
443 Fourth Avenue, New York, N. Y.

Please send me..... copies of DO YOU WANT TO BECOME A BANKER by Wilbur F. Crook, at only \$1.50 per copy.

I enclose check ☐ Send C.O.D. ☐

Name.....
Address.....
City.....State.....

The Capitalist Process

A NOTABLE contribution to modern economic literature is *Business Cycles*, by Joseph A. Schumpeter, professor of economics at Harvard (McGraw-Hill Book Company, New York, \$10).

Here, in two substantial volumes, is an exhaustive, complex treatise on the causes and mechanism of the business cycle. Its subtitle, "A Theoretical, Historical, and Statistical Analysis of the Capitalist Process", says the author, really sets forth what he has tried to do. Dealing primarily with the study of depressions in general and with incident monetary and industrial processes in particular, the book is a text for the student of business, be he in college or in the field.

Books Received

The Modern Railway. By Julius H. Parmelee. (Longmans, Green and Co., New York, \$4.) In the 730 pages of this textbook the director of the Bureau of Railway Economics, American Railway Association, presents what might be called a condensed encyclopedia on rail transportation. Here, amply supported by statistics and charts, is as much information about the railroads as can be reasonably expected from one volume.

Profit Sharing and Pension Plans. By C. Morton Winslow and K. Raymond Clark. (Commerce Clearing House, Inc., Chicago and New York, \$2.) Intended as an aid in creating these plans, the book analyzes those already used by a number of diversified businesses. It also goes extensively into the effect of Federal tax laws on the plans.

Handbook of the War. By John C. de Wilde, David H. Popper, and Eunice Clark. (Houghton Mifflin Company, Boston, \$2.) If you're looking for a war book that's different, here's a good one. Simply, plainly and graphically, it sets down the facts about "World War, Part II" and the nations that were fighting it in the Autumn of 1939.

Business Executive's Handbook. (Prentice-Hall, Inc., New York, \$3.75.) This is a reprint edition of a valuable reference manual that heretofore sold for just twice the new price.

The Bankless Communities in Illinois. By Kenneth Lewis Trefftz. Here is the abstract of a thesis by a University of Illinois graduate student who studied, mostly at first hand, the 418 localities that had banks between 1921 and 1937, but then found themselves bankless. Postal savings, savings bonds, government lending agencies, banking-by-



SOUND advice on family finances. Mr. Herrick shows you how to handle small incomes properly to get the most out of each dollar. \$1.75

YOU DON'T HAVE TO BE RICH

by Allan Herrick

At All Booksellers
D. APPLETON-CENTURY CO., 35 W. 32nd St., N. Y.

Every Banker Should Know This Story of America's Money System . . .

THE whole fascinating historical background of American coinage and currency — from the time of the earliest settlers to the present, including many important hitherto unknown facts on private mints, war money, emergency scripps, etc. Appendix and chronological table of significant dates. A practical, valuable reference volume for every banking library. Illustrated.

OUR AMERICAN MONEY

By Joseph Coffin, author of "Coin Collecting"
COWARD-McCANN, Inc., 2 W. 45th St., N.Y.C. \$1.75

mail, and currency exchanges were among the replacements surveyed by Mr. Trefftz; he gives statistics on each.

Credit Manual of Commercial Laws 1940. (National Association of Credit Men, New York, \$6.50.) This annual publication is intended as a guide to credit and business executives, setting forth fundamental legal principles and existing statutes.

The Federal Reserve System, Its Purposes and Functions is a publication of the Board of Governors intended "primarily for students, bankers, business men and others who desire an authoritative statement of the purposes and functions" of the System. Copies in paper covers are free; cloth binding 50 cents.

1940 Manual of Federal Income Tax Procedure. (LaSalle Extension University, Chicago, \$2.) This guide to taxpayers in preparing their 1939 tax returns states the underlying concepts and theories of income tax law as promulgated by courts and other bodies. Charts and diagrams help in following the law's complicated provisions.

Banking Developments in Missouri, 1920-1936. By Florence Helm. (Missouri Bankers Association.) Tracing banking events and trends in one state this study brings out many points common to all, such as changes in agriculture, industry and banking service.

JOHN L. COOLEY.

BANKING

INVENTORY PUT TO WORK MAKES A-1 COLLATERAL FOR BANK LOANS



Where there's inventory there's opportunity for attractive loans — and alert bankers are stepping out to get them.

PUT MORE IDLE MONEY TO WORK — THROUGH

Field Warehousing *by* Douglas-Guardian



Copy of our valuable booklet gladly mailed free

In these days of starvation long term rates, profitable loans on Field Warehoused Collateral are growing more and more in favor with bankers large and small.

A nationally prominent banker recently wrote: Bankers must "become better acquainted with the technique of searching out borrowers rather than following the traditional policy that borrowers must seek us."

This same banker gave a very vivid description of gilt edged loans based on Field Warehousing. He said what the banker literally does is . . . "Take bank vault out into the field and put the borrowers' collateral into it."

Wherever there's inventory, there's good loan business for your bank. The Douglas-Guardian man in your territory would be glad to give you information on how bankers are going after and getting loans based on Field Warehousing at very attractive rates in these days of low interest levels.

Mailing the coupon simply expresses interest in the information Douglas-Guardian can give you. It does not obligate you and may lead to valuable business.

DOUGLAS-GUARDIAN WAREHOUSE CORP.

Nation-Wide Field Warehousing Service

REGIONAL SERVICE OFFICES AT:

New Orleans, La.
118 N. Front St.
New York, N. Y.
50 Broad St.
Atlanta, Ga.
2185 Belvidere S.W.
Springfield, Mo.
Holland Bldg.
San Francisco, Cal.
485 California St.

Portland, Ore.
209 U. S. National Bank Bldg.
Dallas, Texas
Tower Petroleum Bldg.
Cincinnati, Ohio
Union Trust Bldg.
Easton, Md.
428 South St.
Cleveland, Ohio
Union Commerce Bldg.

Chicago, Ill.
100 W. Monroe St.
Rochester, N. Y.
Commerce Bldg.
Memphis, Tenn.
106 Porter Bldg.
Los Angeles, Cal.
Garfield Bldg.
Tampa, Fla.
416 Tampa St.

☐ We accept your offer to supply helpful information on getting loans based on Field Warehousing ☐ Send your booklet "Financing the Modern Way."

Bank's Name State
City
for attention of
To DOUGLAS-GUARDIAN
WAREHOUSE CORP.
100 W. Monroe St.
Chicago Ill.



The PROVEN GROUND *of fifty years*

• Before marketing a new model, car manufacturers give it a road test far more grueling than anything it is expected to receive in actual operation. Bumps and jolts, twists and turns, desert sand and swampy mud, water traps, precipitous grades, heat, cold and high altitudes test every feature savagely. If the car survives without trouble, it's good!

In the past fifty years the Fidelity and Deposit Company of Maryland has been similarly tested. The fact that the F&D could go its way undisturbed, meeting all its obligations promptly and fully, and building up a stronger organization of agents and field men each year, is ample evidence of basic soundness.

The fact that the F&D bonds more people and transacts a larger fidelity and surety business than any other company is an additional tribute not only to the F&D, but to the advantages of *specialized endeavor* in this particular field.



FIDELITY, SURETY AND BANKERS BLANKET BONDS
BURGLARY, ROBBERY, FORGERY AND GLASS INSURANCE

FIDELITY and DEPOSIT
COMPANY OF MARYLAND, BALTIMORE



The Financial Omelet

By ALBERT W. ATWOOD

A frequent BANKING contributor draws some general conclusions about the vast "system" of Federal credit agencies.

READERS of this magazine will certainly agree that one of the most remarkable developments in the financial field in recent years has been that of the Government's credit agencies. The individual banker, directly concerned with a particular aspect of such lending, may approve or disapprove. The outside or non-banking observer is more inclined to be utterly mystified; he cannot fail to wonder at such a financial omelet; he sees his Government in so many new and changing forms that he can hardly recognize it.

Thus it may prove both timely and pertinent to present not just another description of the 30 or 40 government corporations and credit agencies, but a few generalizations, albeit rather carefully considered ones. Just as there are times when it is more important to see the woods, no matter how thick the trees are, so there are times when generalizations need no apology.

From this viewpoint, then, the first impression which the governmental corporations and credit agencies makes upon one is of swift, constant and confusing change, although this is plainly tied up with their equally demonstrated tendency to grow and increase.

A STRIKING INSTANCE

PERHAPS the most striking instance has been the Farm Security Administration. Although its earliest roots go back only seven years, it has come to us through the stages of state emergency relief administrations, the Federal Emergency Relief Administration, an independent Resettlement Administration, a Resettlement Administration as part of the Department of Agriculture and then a Farm Security Administration as part of the Department of Agriculture. It is not strange that the FSA, despite its extreme youth, has been obliged to get out an official history of itself to enable the world at large to follow its swift changes in form.

Even the Farm Credit Administration, which was carefully created out of many different lending agencies at the beginning of this Administration to "provide a complete and coordinated credit system for agriculture", to use the official description, has recently acquired a Mexican jumping bean reputation, for, after some years of operation in an independent capacity, it has recently been changed over into one of 20-odd branches of the Department of Agriculture.

Three years ago a report to Senator Byrd's reorganization committee remarked that the "number and diverse

character" of government credit agencies "present a challenging problem of governmental organization." This is so not only because of the tendency to change, multiply and proliferate, but because of the constant danger of duplication and conflict. It is easy to exaggerate this point. What looks on the surface like duplication may not prove upon close inquiry to be serious, nor does the concentration of related activities always prove to be economical and efficient.

But whatever the internal effect of duplication, its external effect is very bad, for the general public is both confused and disturbed by the overlapping of activities, just as it is by the presence of internal conflicts. Consider for a moment the housing and home credit agencies.

Several years ago the U. S. Information Service issued a booklet on government services for home owners and tenants. Speaking of the many activities in this field it said that "so extensive are they that within the Government itself it is difficult to follow the details of their work."

USHA, FHA, HOLC

ONE of the newest of these agencies, the U. S. Housing Administration, has gotten out both a chart and a booklet to distinguish it from the other Federal housing agencies, and it finds necessary the making of this explanation: "The USHA is not the Federal Housing Administration (FHA) and it is not the Home Owners' Loan Corporation."

The three great separate and independent housing and home credit agencies, Federal Housing Administration, U. S. Housing Administration and Federal Home Loan Bank Board, with its Home Owners' Loan Corporation, Federal Home Loan banks and Federal Savings and Loan Insurance Corporation, are engaged, for the most part, in quite different activities.

But there are obvious and long standing duplications in the activities of the first and second of them. In 1937 a report to Senator Byrd's committee pointed out five separate respects in which their activities overlap, conflict or are closely related to one another, such as contact with mortgage institutions, appraisals, research and statistics, field work and home building service.

The report also recommended the consolidation of FHA and HOLC, in the interests of economy and efficiency, but no such action has been taken. Last Spring, indeed, when the FHA asked Congress to increase the maximum amount of mortgages which it can insure at any one time from \$3,000,000 to \$6,000,000,000 the request was actively opposed by Chairman Fahey of the FHLB and HOLC, as well as by

the savings and loan associations which are supervised by the FHLB.

Senator Maloney, a member of the committee, said that we haven't had enough experience with the 90 per cent mortgage at a low interest rate and a low insurance premium to be sure that it is wise for the Government to carry on indefinitely, and Chairman Fahey emphatically agreed with him. Senator Maloney added:

"If we get up to a maximum of \$6,000,000,000, then might it not go up to \$10,000,000,000? . . . (in time) the Government will have a complete cloak around everybody, and will be insuring all mortgages and will be responsible for all real estate in the United States."

I cite these views of Senator Maloney not to pass opinion in any way upon the controversy in question but merely to show how the multiplication of vast government lending corporations brings about sharp and confusing cleavages of philosophy and policy within the Government itself.

HELPING THE FARMER

OR consider the many and varied government branches which make loans to farmers. As stated before, the official purpose of the Farm Credit Administration is to "provide a complete and coordinated credit system for agriculture." First and second mortgages are financed, short term credit is provided for "all types of farm and ranch operations"; commodity, capital and facility loans are made to cooperatives, and emergency crop, feed and seed loans are made to needy applicants who cannot obtain credit elsewhere.

But we also have the Commodity Credit Corporation, more closely affiliated in the past with the Reconstruction Finance Corporation than with the Department of Agriculture, which up to last February had made 3,500,000 loans on commodities like cotton, wheat, wool and corn. Then there are the Rural Electrification Administration and the Electric Home and Farm Authority, which make special kinds of loans to farmers.

In addition to all these, there is the Farm Security Administration, which has made a great number and variety of loans to tenants and other low income or destitute farmers, for the purchase of farm supplies, equipment and livestock, for the refinancing of indebtedness, and for family subsistence. While this is supposed to be essentially a rehabilitation or relief agency as compared with the more business-like approach of the Farm Credit Administration, nevertheless there has been overlapping between FSA and the FCA emergency crop, feed and seed loans.

DUPLICATION

HOW extensive the duplication has been, not only in this case but in others, only a minute and lengthy investigation would disclose. But we do know that dozens of different kinds of loans have been made by at least five agencies, heretofore separate and independent, four of which have very large resources and are engaged in business on a very large scale, and that in addition the Government has paid out huge sums in outright grants or benefits to farmers as well as several billion dollars in relief, partly at least in rural communities.

Deliberate refusal to pay one's debts is never to be condoned. But remember that emergency crop, feed and seed loans were first extended in 1918 and have been made nearly every year since, with large numbers of back loans still in default. More recently, as noted, there have been many other kinds of loans as well as grants, benefits, allotments and straight relief. To the hard-pressed farmer it seems very strange, indeed, that Uncle Sam should be trying to collect

NO MATTER HOW GENEROUS

ONE inherent weakness of government lending is that no matter how generous it may be or how many different corporations are set up to extend credit, there is never any way of satisfying the pressure group boys and the politicians who fellow-travel along with them. Anything approaching a business-like attitude by a government loan administrator towards those borrowers who do not maintain interest and principal payments is practically certain to create a political row.

his few hundred dollars, with one hand, while literally giving away billions, with the other.

Under the circumstances it is only natural that the borrower should pay other creditors first. Moreover, as compared with rates which private lenders must charge, government loans are very cheap.

"How much can I have?" is the first question the borrower asks, and when told that the maximum permitted by law is so many hundreds of dollars that is exactly the amount which he must have in order to save his farm.

THE AGENCIES AND THE DEBT

FINALLY a very serious weakness in our present conglomeration of government credit agencies is the fact that they conceal the true national debt. For one thing they give rise to several different types of loan operations, which are difficult to compare.

Moreover the corporations and credit agencies have no uniform system of accounting; the methods of figuring accruals, maintenance, depreciation and the valuation of assets vary from agency to agency. Thus with no standardized system of accounting control for the whole Government we have no current reflection of all of its operations.

In conclusion, I have no solution to offer, no recipe for unscrambling the omelet. But it would seem perfectly obvious that the time has come when, in starting new kinds of lending, more thought should be given to possible ramifications and repercussions. The excuse of a few years ago that an economic order had to be salvaged in a great hurry no longer holds.

Four large farm credit agencies, the Farm Credit Administration, Farm Security Administration, Rural Electrification Administration and Commodity Credit Corporation, which were formerly independent or semi-independent, have been taken into the Department of Agriculture recently, under the President's reorganization authority. It remains to be seen whether this move results in simplification and economy.

During the Revolution George Washington kept his own centralized books of account and accepted Alexander Hamilton's recommendation that with the establishment of a permanent government a centralized and controlling system of accounts be set up in the Treasury. But as years went on this principle was departed from.

Whether it should be restored is for experts to fight over. But of one thing we can be sure; regardless of any scheme of "reorganization" there should be a more adequate system of centralized accounting control in order to give the country a more complete and continuous picture of its Government's far flung financial operations.

The \$6 Billion Tourist Business

By MAURICE F. BLOUIN

Mr. BLOUIN is assistant secretary, The Franklin Savings Society, New York, and is in charge of the Society's travel department. In BANKING for October 1939 Mr. BLOUIN wrote "Service for Vacationing Depositors".

THERE will be unusual profit opportunities this year for community promotion through the attraction of domestic tourist trade, since foreign travel is virtually non-existent. If they are willing to take the initiative in promoting their particular community or region, banks everywhere in the United States can get a portion of the 6 billion dollars these vacationists are slated to spend seeing America first.

To accomplish this, the banks must assist in focusing favorable attention on the region's vacation attractions, trade and industrial facilities. It may be simpler to accomplish this objective if the individual bank is located in one of the 35 states or is listed among the 357 United States communities that already advertise their attractions and industrial advantages.

HOME TOWN ADVERTISING PAYS

THERE is ample proof that community advertising pays. For instance, Jackson, Mississippi, estimates its annual tourist business at 4 million dollars; Brunswick, Georgia, at 2 million dollars; Toronto, Canada, at 19 million; Winnipeg, Manitoba, around 7 million. In Watertown, N. Y., it is reported that tourist business accounts for 20 per cent of county income. Such regional promotions as that of the Virginia Peninsula estimate that the tourist industry comprises 40 per cent of the peninsula's total business volume; Clearwater, Florida, considers it second only to the citrus industry. In the Charlevoix, Michigan, region, tourists reputedly pay 78 per cent of the taxes. Among the states, Oregon estimates its annual tourist revenue between 35 and 40 million dollars; Montana, at 28 million dollars; Maine, 100 million dollars; Vermont rates the tourist industry first, dairying second.

If there are doubts that tourists can be developed into year-round residents, look at the record of the All Year Club of California, a non-profit organization which estimates that 85 per cent of Southern California homes are occupied by persons who came first as tourists. It is repeatedly proved that the tourist market has generally been profitable wherever well organized efforts have been made to develop it.

WHERE THE BANK COMES IN

HOW then, can a banking institution stand to gain from promoting its community or region? It's easy enough to understand how hotels, resorts, amusement centers, retail stores and wholesalers can benefit, but what, after all, is there in it for the bank? The answer is—plenty!

With whom does the bank transact business? Why, with the hotels, resorts, amusement centers, retail stores and wholesalers. If business concerns prosper, the bank prospers. Their obligations to the bank become increasingly profitable because their own operations are profitable. They make improvements in their properties and the bank finances them. Their payrolls grow—more people have money to save and

to spend for building, modernizing, financing and furnishing new homes.

There are also direct profits accruing to the bank from the sale of travellers' checks and letters of credit. An alert mid-western bank already promotes a new prepaid, all-expense travel service for private motorists called "Auto-Tours". The plan relieves the motorist of most travel details. This is timely promotion and one that has distinct profit possibilities, since it is estimated that in recent years motor travel accounts for 94 per cent of all U. S. travel.

OTHER POSSIBILITIES

AND there are additional profit possibilities. Among the tourists attracted to the bank's region are likely to be business men and industrialists on vacation. They may be there "only for the fishing", but the activity in the community or region impresses them. Soon they are combining business with pleasure, seeking information from the bank on local markets, natural resources, labor conditions, etc. More than one industry has been located through this process, and banks have found profitable new customers.

The idea then, if the bank is to benefit, is to sell the community or region. However, it is well to bear in mind, before starting a plan or campaign, that it is generally easier, more effective and decidedly less costly to sell a region than a single community. In other words, instead of one bank concentrating on the promotion, there might better be a number of them collaborating. The more the better, for if the promotion is well handled, there should be revenue enough for all.

SELL SOMETHING DEFINITE

IN attempting to promote a primary region as a tourist sector, the promotional group should follow the example of the manufacturer or merchant instituting an advertising program, and find something definite to sell: history, scenery, seashore, mountain altitude, vacation attractions for young and old, etc. If this seems like a large, expensive and time-consuming order, take heart! The National Recreation Association, a subsidiary of the U. S. Department of the Interior, will help and advise. If the association doesn't already have surveys of the region, it has men equipped to make the necessary surveys and suggestions. It is advisable to build the program around recreation whether it be for the body or the mind, for the obvious incentive for travel is recreation.

The program should be arranged to sell the community the year-round, with some main promotion as the chief "draw" or magnet to lure tourists. For instance, if the community is in a region chock-full of historical lore, the emphasis can be on history. For years, the city of Asbury Park, N. J., depended on bathing beauties for publicity; this year, they're selling history. Pennsylvania is restoring places of historic interest to attract tourists, while for years New England has profitably capitalized on its colonial background. With a little showmanship, museums and historic homes can become vital factors in bringing tourists to a locality.

In the April issue of BANKING MR. BLOUIN will further discuss the banking possibilities in travel promotion.

The Right Pay for the Job

Mr. HAY, an authority on personnel management, reports a widespread interest in the subject which he discusses in this article.

"SALARIES are confidential." Every bank man thinks that this is so, but a little inquiry will show that on the contrary every out-of-line salary is a matter of common knowledge. Recently the vice-president in charge of a large department was asked for an increase by a capable subordinate who, the previous year, had been made an assistant cashier. The young man pointed out that So-and-so, who came to the bank when he did and who was not yet an officer, was getting more than he was. The vice-president didn't see how that could be but upon inquiry found it was true, although the salaries should have been reversed. Not only was this a case of bad salary management but, since the facts were known to the man who was adversely affected, it seemed to him to be unfair treatment.

Two important advantages of systematic salary management are: 1. A fixed range of pay can be established for each occupation or position, and this permits of considerable control over salary costs. Since salaries are by far the largest single item of a bank's expenses such control is very desirable. 2. Equitable treatment is assured to every employee because he will be paid not less than the appropriate minimum salary for his position and he will receive increases of a substantial amount above that figure.

A well drawn salary and promotion plan and a definite set of policies for its administration facilitate ready judgment regarding the proper salary for each individual, and this is another cause for confidence on the part of employees.

The following simple plan was devised for a bank that had never had a plan of systematic salary management. For banks with more experience in salary management, it is probably too simple. The "factor comparison method" is recommended for those banks that want a more accurate method. (See Samuel L. H. Burk's "A Case History in Salary and Wage Administration", *Personnel*, Vol. 15, No. 3, and the author's "Arranging the Right Pay", *Personnel Journal*, April 1939, and "Planning for Fair Salaries and Wages", *Personnel Journal*, October 1939.)

The simplest way to begin a plan is to set up a series of salary classes. The following table shows a convenient series of salary classes suitable for a bank which has never before had a plan of this kind.

Salary Class Number	Minimum Salary	Maximum Salary
1	\$50	\$75
2	60	90
3	70	105
4	80	120
5	100	150
6	125	190
7	150	225
8	200	300
9	250	375

The next step is to assign every job to one of these salary classes in accordance with its value relative to all other positions in the bank and also in accordance with what other

employers are paying for that job. Incidentally, it may be remarked that if certain assignments prove to be faulty, and subsequent experience shows that they should be changed, there need be no difficulty about doing so.

A characteristic of every good plan is that each position is valued with reference to all other positions and is assigned to a definite salary class, such as class 3 with a minimum salary of \$70 and a maximum of \$105. This means that any position assigned to salary class 3 may be paid—and should be paid—the starter's rate of \$70 per month. And no matter what the length of service or experience of the employee holding that position, he is not to be paid more than \$105 per month. At first sight this seems to place a severe limit on individual earning power. Actually, however, it concentrates the attention of each employee on the necessity for qualifying for a higher position in order to deserve a further increase in salary. This is justified when it is realized the output from each man's job has a definite value to the company. The fact that the person doing the work is older or younger, or has red hair instead of brown, or has a college instead of a high school education, makes little difference to the company so far as the value of the work performed is concerned.

WHO DOES THE JOB

IN a small bank this job valuation work should be done by the members of a job valuation committee. In a middling or large bank the man in charge of the salary plan should have two or three temporary assistants for the period during which the plan is being set up. He and his assistants should place values on each job, their decision to be reviewed by the job valuation committee for approval or rejection. In a large bank this valuation process is one which will require some months and it will be out of the question to expect a busy committee of responsible officers to do all the detailed work of valuing every position, notwithstanding their superior judgment and experience. That judgment and experience, however, will be available when they review the work of the analysts. In the small banks the number of positions to be valued is not too great for a committee of three or four to do the whole job themselves.

In order to arrive at correct values it is important that members of the committee know the facts regarding the jobs they are trying to appraise. In a small bank it will be sufficient that the committee members talk to the persons in the job just to make sure that they are not overlooking any important duties. In large banks, it is usually desirable that the analysts who are doing the initial valuation shall prepare beforehand a written description of the duties of each job and in many cases should examine the job itself to make certain that they know what is being done. Obviously it is impossible to arrive at the correct value of a job unless the job itself is fully understood.

In banks of intermediate size, such as those with 75 to 200 or 300 employees, another device usually helps in the preliminary work. In banks of this size the first step should be a list of all jobs in each department, arranged in order of rank from the least important to the most important. Comparing jobs directly with each other in this way makes it easier to decide on the sequence of importance. Subsequently the jobs can be assigned to the proper salary classes, although

By EDWARD N. HAY

in this case some jobs of apparently unequal value will be assigned to the same salary class. This, of course, is because there are many more jobs than salary classes and it is impossible to recognize slight differences. As a matter of fact, it is undesirable to try to do so.

Another device that will prove of assistance in arriving at satisfactory valuations consists of identifying jobs somewhat in accordance with their general nature. For example, typists might logically be divided into three classes: beginner, junior and senior. A beginner typist will be a girl just from school who has had no experience. A junior will be one of six months' to perhaps two years' experience. A senior will be one of more experience and of the highest ability and skill. If these positions are assigned respectively to salary classes 1, 2 and 3 shown in the table, it will be seen that any girl coming in as a typist has ample scope for salary increases as she qualifies herself for a more responsible job. Sometimes a typist job is primarily clerical with typing merely an incidental part of the job. For example, a payroll clerk may be required to use a typewriter a good deal, but her payroll duties are more responsible than those of any typist. A payroll clerk will therefore be assigned to a salary class appropriate to the importance of the payroll duties rather than with regard to the fact that she might be regarded as a junior or a senior typist.

One bank has divided tellers into beginner receiving teller, salary class 4, junior paying and receiving teller, class 5, paying and receiving teller, class 6, senior paying and receiving teller, class 7, and head teller, class 9. In the same manner the customers' ledger operators who handle the bookkeeping machines may be classified as junior and senior bookkeepers, salary classes 2 and 3.

GET BACKING FROM THE TOP

THE most important point in setting up a plan of systematic salary management is to have the support of the head of the organization. Success in any undertaking requires unity of purpose and it goes without saying that no bank-wide program can be carried through satisfactorily without the support of the chief. It would be well if he were to take the initiative in announcing the new plan and lend all the weight of his prestige and popularity to it. In large banks this probably should take the form of a written announcement but in smaller banks a statement before the assembled employees would be better. This procedure makes it advisable that the chief executive be informed about the advantages and purposes of the plan in order that, as questions arise, he is in a position to give understanding support.

The next most important step in inaugurating the plan is to put its execution into the hands of a capable individual. It makes very little difference who this person is except that he should be familiar with the operations of the bank and of sufficient rank and importance to obtain the necessary support from all the operating people. In the larger banks it will probably be done by the personnel officer or by someone acting under his direction. Make sure that whoever does the detailed work has enough time available for it; otherwise he is not going to be able to do a satisfactory job.

In carrying out any plan of salary management it is necessary to have the support of every important executive. This

is often best obtained by appointing a job valuation committee with which the officer in charge of the work will co-operate. This committee should approve all major moves before they are carried out. All values of particular jobs will also be approved by this committee before they are made effective. This makes it possible to take advantage of the experience and judgment of a number of important officers of the bank, which is a splendid safeguard against mistakes of judgment. It also gives confidence to others in the bank who are not actually engaged in the work of job valuation.

Many banks have found that, instead of reviewing all salaries just before Christmas each year, it is a better plan to review the salary of each individual in the month in which he was originally employed. Thus all persons employed in January are reviewed in that month. This distributes the burden of reviewing salaries throughout the year and makes for better consideration of each individual case. Of course, in a small bank this is not so important but in medium-sized and large banks it seems to work very much better than the method of reviewing all salaries at one time. Some of the larger banks prepare a sheet each month containing the names of persons whose anniversary falls in that month. Each department receives such a sheet with its employees listed by name and with the following information: date of birth, date of employment, minimum and maximum salary for the position held, present salary and the amount and date of increase last given.

SUMMARIES OF PERFORMANCE

IN addition some banks that employ the method of periodical written reports of the work of each employee will summarize the report so that the reviewing officer can see what kind of performance the employee has given in the preceding year. These sheets are examined in each department and the recommendations for increases in each case are entered on the report, which is then returned to the personnel officer or other person from whom it came. He summarizes the result for the benefit of the president and turns the whole report over to him. After the president has approved the increases, they are turned over to the payroll department.

There are a number of benefits from a systematic plan of salary management such as has been described. Two of these have already been mentioned. They are: assurance to employees that salaries are based on careful studies of the jobs and on good individual performance; the knowledge by bank management that it has the means of maintaining some degree of control over the payroll. Another benefit is the stimulation of employee interest in qualifying for definite promotion. Employees are encouraged also to look towards a company-wide promotion policy rather than merely a departmental one.

Another advantage lies in the greater ease with which salary comparisons can be made with other companies in the same city. Sometimes also a study of jobs with reference to salaries calls attention to unsatisfactory operating methods and brings forward suggestions for improvement. The systematic consideration of salaries tends to focus attention of the management on the performance of individual employees, thus making increases a matter more of merit than of prejudice or favoritism.

Banks that have used a sound plan of salary management for any length of time would not be willing to go back to the old hit-or-miss way of dealing with salaries. They know that it contributes greatly to high employee morale, and that it provides, at the same time, a means of control over salary expense.

What's in a Town Name

By T. D. MACGREGOR

Mr. MACGREGOR wrote "What's in a Bank Name" in BANKING's November issue and "100 Bank Slogans" last July. He is a member of the advertising firm of MacGregor and Woodrow. More of these interesting names will appear in later issues.

NO doubt many a bank cashier or transit department employee from time to time has wondered at checks passing through his hands because of the strange and unusual names of places they have borne. Perhaps these have awakened nostalgic memories in his breast because he himself may have come from Bad Axe or Fancy Farm.

Seeing one such name in a bank directory recently started me off on an investigation to find out the origins or reasons for such names. The further I went the "curiouser and curiouser" the names and their explanations became. Most of my information has come from banks in the various communities all over the United States, as listed below.

Peculiar, Mo. (Population 227.) Charles W. Fish, a Connecticut Yankee, was an early settler here. He applied for a post office, sending in some ordinary name. The Department told him there was already a post office of that name in the state. Trying again with no better luck, he was told to choose some "peculiar" name. So he said, "All right, call it 'Peculiar'" and they did.—CASS COUNTY BANK.

Odd, Va. (Pop. 229.) The town got its name because its first post office was in the hall of the Independent Order of Odd Fellows.—L. C. RIGGINS, Postmaster.

Evening Shade, Ark. (Pop. 325.) The town was settled in 1817 by Capt. James Thompson, cousin of President James K. Polk. Thompson's mill became a halfway camping place for wagon trains and travellers, partly, perhaps, because of a grove of trees that threw a shade. Hence the name for the mill and subsequent settlement.—BANK OF EVENING SHADE.

Gravity, Ia. (Pop. 465.) Near the center of Taylor County, the town was considered the center of attraction—hence "gravity."—STATE SAVINGS BANK.

Hundred, W. Va. (Pop. 788.) Henry Church, who died in 1860 at the age of 109, was known as "Old Hundred", and the town was named after him.—BANK OF HUNDRED.

Social Circle, Ga. (Pop. 1766.) Early settlers assembled at night and formed a circle around the town well. When the question of a name came up one of the leaders said, "Since we are very sociable and come together in a circle let us call it 'Social Circle.'"—SOCIAL CIRCLE BANK.

Blanket, Tex. (Pop. 318.) About 1860 an Indian chased by white men lost his blanket in crossing a stream. The pioneers named the river Blanket and the town took its name from the river.—BLANKET STATE BANK.

Braggodocio, Mo. (Pop. 300.) The first settler was a hunter named Bragg. His wife's name was Docio. Hence the name of the town.—FARMERS BANK.

Nanty Glo, Pa. (Pop. 5598.) This part of Cambria County was settled by Welshmen. "Nanty Glo" is Welsh for "Streams of Coal".—NANTY GLO STATE BANK.

Needles, Cal. (Pop. 3144.) The name comes from two large peaks which, from a distance, look like needles because they are long and narrow and have cavities in their tops like needle's eyes.—BANK OF AMERICA N.T. & S.A.

Comfort, Tex. (Pop. 713.) It is not known who gave this name, but "it is appropriate because of the town's fine location, contented inhabitants, orderliness and spotless homes and streets."—COMFORT STATE BANK.

Walla Walla, Wash. (Pop. 16,000.) The Indian word "walla" means water, and, as there are many small streams running down through the valley, this word was simply repeated, signifying "water, water".—THE BAKER-BOYER NATIONAL BANK.

Clever, Mo. (Pop. 334.) For many years there was only a crossroads store here called Bishop's Stand. Over 40 years ago a petition was circulated for a post office. Tom Lentz said, "Why not call it 'Clever', since the people 'round here are mighty clever." He meant friendly and hospitable as well as smart.—PEOPLES BANK OF CLEVER.

Concrete, Wash. (Pop. 736.) This name was selected because the town's chief business is that of two large Portland cement plants, large deposits of limestone being located here.—STATE BANK OF CONCRETE.

Scalp Level, Pa. (Pop. 1875.) Jacob Esh, a pioneer, in clearing hemlock and chestnut trees noticed that his men had not made clean work of the stumps and underbrush. "Boys," he said, "scalp 'em level!" The saying became a by-word and eventually the name of the place.—MERCHANTS AND MINERS BANK.

Bad Axe, Mich. (Pop. 2332.) This name comes from an old axe found by early surveyors when they camped here in 1861.—HOLLAND STATE BANK.

John Day, Ore. (Pop. 600.) Named after John Day, a young Virginian, who first visited the place in 1812 as a member of the Astor Overland Expedition.—GRANT COUNTY BANK.

Pine Apple, Ala. (Pop. 438.) Many years ago a wealthy planter made his home here. The entrance to his place was marked by two large cone-shaped piles of rough stone, ivy-covered. Because of the resemblance, the plantation and, later, the town were called Pine Apple.—BANK OF PINE APPLE.

Calico Rock, Ark. (Pop. 659.) This town is located on the White River in the Ozarks. A bluff a mile long and 150 feet high is just below the town. Water running down the bluff has colored the rock in stripes of different shades. Steamboat captains had a landing here and called it "The Calico Rock", owing to the resemblance of the bluff to a piece of calico cloth.—STATE BANK OF CALICO ROCK.

Behavior of Industrial Earnings

By RICHARD L. JOHNSON

The author is an economist in the investment research division of a large midwestern bank.

THE collapse in high-grade bond prices last Fall provided investors with a little taste of what can happen to that type of security. Since then, the relatively sober levels of stock prices and the more liberal volume of dividend payments have afforded yields which appear increasingly attractive in comparison with the near-starvation returns on quality bonds.

Without reference to the perennial question of the suitability of common stocks for investment purposes, the fact remains that many individuals and institutions whose requirements limit them to securities of investment quality are now turning their attentions longingly to common stocks. The recent unsatisfactory records and the continued problems of the railroads, as well as the uncertainties of government regulations surrounding the public utilities, are regarded by many conservative investors, moreover, as factors limiting common stock opportunities largely to the field of industrial corporations. As a broad approach to the selection of industrial common stocks, it appears that consideration should first be given to the investment qualities of our major industries.

STABILITY AND GROWTH

THERE is room for argument, from the strictly investment point of view, whether stability of income or growth in income is the more important investment quality. Closely related is the question whether stability or appreciation in market price is the more desirable. In any event, it appears almost a truism that both stability and growth in income, which will ultimately be reflected in market price, are the two major prerequisites of investment quality.

It is evident, moreover, that for common stocks, corporate earning power is the basis upon which stability and growth, both in income and in price, are dependent. In the last analysis, the return from and the market value of corporate securities—and this holds for preferred stocks and bonds, as well as common stocks—are dependent upon the earnings behind them. Such secondary factors as working capital, capital structure, and profit margins, as well as such intangibles as management, trade position, and research activities are of importance to investors only as they are reflected in actual earnings. To appraise the relative investment qualities of the industrial common stocks of our major industries, then, comparisons should be made of the stability and growth in the composite or aggregate earnings of representative companies in the more important industrial groups.

The following table shows the combined earnings of a large number of industrial corporations, classified according to 20 industry groups. Instead of showing actual dollar totals, the data represent relatives to the average for the period 1928–1930 as 100. For example, the average annual net income for the 7 tobacco products companies during 1928–30 was \$90.3 million. During 1933 the same companies' combined earnings were only \$59.8 million, equivalent to

66.2 per cent of the 1928–1930 average. The four columns of figures are, as shown, the best year of the 1926–1930 period, the lowest of the subsequent depression, the highest level attained during the recovery terminated in 1937, and the level attained during the recession in 1938. The final column is the average of the two declines, that after 1930 and that following 1937. Thus, between 1929 and 1932, variety stores' earnings fell from 106.1 to 51.5, a decline of 54.6 points; between 1937 and 1938, they fell from 103.0 to 81.1, a decline of 21.9 points. The average amount of decline, or instability of earnings, for this industry was therefore 38.2 points.

RELATIVE STABILITY IN INDUSTRY EARNINGS

Rank	Industry	1926– 1930 High	1931– 1933 Low	1935– 1937 High	1938	Average Variation
1	Beverages.....	106.5	70.1	184.4	185.1	18.2
2	Tobacco products...	123.7	66.2	87.2	82.9	30.9
3	Food manufacturing...	106.7	52.1	69.4	54.7	34.7
4	Variety stores.....	106.1	51.5	103.0	81.1	38.2
5	Containers.....	107.5	55.9	111.1	80.0	41.3
6	Soaps.....	113.6	27.1	91.4	57.9	60.0
7	Chemicals.....	117.0	37.2	119.0	67.6	65.6
8	Office equipment....	120.7	13.3	101.6	66.0	71.5
9	Mail order.....	127.7	7.8d	161.8	129.5	83.9
AVERAGE (for the 20 industries).....		124.7	3.7	99.8	51.0	84.9
10	Electrical equipment.	122.2	4.5d	94.0	42.4	91.7
11	Petroleum.....	130.8	15.3d	131.0	70.5	103.3
12	Automobiles.....	127.4	10.2d	108.9	36.5	105.0
13	Agricultural equip- ment.....	127.2	48.2d	120.5	65.7	115.1
14	Railroad equipment..	134.2	17.2d	83.3	4.2	115.2
15	Department stores..	127.0	64.3d	83.7	43.0	116.0
16	Auto equipment....	130.0	35.8d	81.3	5.9	120.6
17	Building materials...	133.2	27.5d	96.5	33.1	122.0
18	Non-ferrous metals..	154.3	28.4d	131.2	62.9	125.5
19	Steel and iron.....	142.7	56.4d	80.4	2.3d	140.9
20	Meat packing.....	124.9	54.5d	115.8	56.9d	174.1

d—Aggregate deficit in one or more years of period.

The industry groups have been arranged in the order of their average extent of decline or instability in earnings, above and below the average for all of the companies. Since the period includes 13 years, covering two fairly complete business cycles, it may be considered reasonably representative of the present-day performance of the typical company in these industries. There were 9 industry groups, headed by the beverages and tobaccos and ending with the mail order companies, in which there was a greater than average stability of earnings. All of the 11 industry groups fluctuating more widely than average reported aggregate deficits during one or more years between 1931 and 1933, while two of them—steel and iron, and meat packing—incur deficits in 1938.

From the investment viewpoint, the possibilities of stability in income and market price in the stock of the average company in the upper part of this table are considerably better than those of the typical companies toward the bottom of the list. In the average meat packing company, for example, the swings from earnings to deficits during the last

two periods of recession averaged near 175 per cent of the earnings level during 1928-1930. The average beverage, tobacco, and food products company, on the other hand, showed earnings fluctuations during recessions of less than 40 per cent.

The same data have been employed in the table below to determine the comparative rates of earnings growth shown by the representative companies in the various industry groups. Since few companies show a persistent earnings trend, either upward or downward, from one year to the next, because nearly all are influenced by the swings of general business, growth or recession must be measured over a fairly long period of years. For this reason, growth has been measured by comparing average earnings during the peak of the last cycle with the average earning level during the peak of the preceding cycle. Since these data are already relatives on the basis of 1928-1930 (which was the earnings peak of the previous cycle) as 100, the average of these relatives for 1935-1937 affords a direct indication of growth. Thus, the mail order companies' earnings during 1935-1937 averaged 44 per cent higher than during 1928-1930, while the steel and railroad equipment companies' earnings averaged more than 50 per cent below their 1928-1930 level.

GROWTH TRENDS IN INDUSTRY EARNINGS

Rank Industry	1928	1929	1930	1935	1936	1937	1935-37
1 Beverages.....	87.7	106.5	105.8	110.4	149.3	184.4	148.0
2 Mail order.....	126.4	127.7	46.1	117.1	161.8	153.4	144.1
3 Containers.....	91.9	107.5	100.8	111.1	110.5	110.5	110.7
4 Chemicals.....	97.7	117.0	85.3	86.0	114.5	119.0	106.5
5 Variety chains...	106.1	105.5	88.2	91.9	103.0	100.1	98.3
6 Petroleum.....	113.3	130.8	55.9	59.4	95.1	131.0	95.2
7 Agricultural equip- ment.....	101.1	127.2	71.6	56.9	97.7	120.5	91.7
8 Automobiles.....	127.4	114.9	57.8	70.1	108.9	87.9	89.0
9 Non-ferrous metals	103.4	153.0	43.5	64.3	94.4	133.2	88.7
10 Meat packing.....	121.0	102.9	76.5	115.8	83.2	62.2	87.1
11 Office equipment..	96.1	120.7	83.6	65.6	86.3	101.6	84.5
12 Tobacco products	85.8	96.2	117.9	76.5	86.7	87.2	83.6
AVERAGE (for the 20 industries)...	106.1	124.7	69.2	60.5	90.3	99.8	83.5
13 Soaps.....	92.1	113.6	93.6	91.4	85.7	57.9	78.3
14 Building materials	110.8	133.2	56.0	49.9	82.9	96.5	76.4
15 Auto equipment...	120.3	130.0	49.7	60.7	81.3	78.0	73.3
16 Electrical equip- ment.....	102.6	122.2	75.3	39.0	70.5	94.0	67.1
17 Department stores	120.4	109.8	69.7	43.3	83.7	55.4	60.1
18 Food manufactur- ing.....	93.7	106.7	99.6	52.1	69.4	54.7	58.7
19 Steel and iron.....	85.6	142.7	71.8	14.5	51.4	80.4	48.8
20 Railroad equip- ment.....	83.5	121.6	94.7	9.4	44.4	83.3	45.7

Possibly because the upturn during 1935-1937 failed to develop into a full-fledged prosperity, there were only four industry groups showing an absolute growth in earnings during the past two business cycles. Had the recovery not been cut short in 1937, it is quite possible that a number of the heavier industries, including iron and steel, building materials and the non-ferrous metals, might have made a much better growth showing. It is upon the actual facts as they are, and not upon what they might have been, however, that the investor must depend for investment performance. Again, the 20 industries have been arranged in the order in which the presence or absence of growth is indicated, above and below the earnings record of the entire group. It seems clear that the possibilities of increased dividends and market appreciation are considerably greater for the stocks of companies in those industries near the upper limits, than for those approaching the bottom of the growth table.

Without taking a position on the relative importance of stability and growth as investment qualities, the industries may be divided into three broad groups. Certainly there can be little argument with the proposition that the stocks of companies in industries showing both above average growth and above average stability possess more investment quality on the whole than those in industries showing both growth

and stability of below average proportions. Such a distinction, then, is made between those industries in Group I and Group III.

In Group II are those industries in which either earnings growth or earnings stability has been above average, while the other quality has been below average. For some purposes, these industries may offer instances of attractive investment quality, while in others they may not.

COMPOSITE INVESTMENT QUALITIES OF MAJOR INDUSTRIES

GROUP I	Stability Rank	Growth Rank
<i>Above Average Stability AND Above Average Growth</i>		
Beverages	1	1
Containers	5	3
Variety chains	4	5
Mail order stores	9	2
Chemicals	7	4
Tobacco products	2	12
GROUP II		
<i>Above Average Stability OR Above Average Growth</i>		
Petroleum products	11	6
Soaps	6	13
Office equipment	8	11
Food products	3	18
Automobiles	12	8
Agricultural equipment	13	7
GROUP III		
<i>Below Average Stability AND Below Average Growth</i>		
Electrical equipment	10	16
Non-ferrous metals	18	9
Automobile equipment	16	15
Building materials	17	14
Meat packing	20	10
Department stores	15	17
Railroad equipment	14	20
Steel and iron	19	19

Within each group, the industries are listed according to their composite stability and growth quality, although in many instances, as between the mail order stores and the chemicals, or the agricultural equipment and the automobile divisions, the differences are slight. Rather than attempt too fine distinctions, the more reasonable conclusion appears that the average company engaged in the first four or five industries offers stocks of considerably more investment quality than those in Group II, and the latter, in turn, are more attractive than the securities of the average company engaged in the industries that appear toward the end of the list.

POSSIBLE OBJECTIONS

VALID objections to this approach may include the fact that no allowance has been made for individual companies. Some building material producer or department store may have shown more growth and greater stability in earnings than any tobacco or food products company. On the other hand, there are beverage manufacturers with a far less attractive record than that suggested by the data for the industry as a whole. It is admitted that broad industry comparisons are no substitute for company analyses; on the contrary, the two are complementary. In addition, however, it appears that an intelligent approach to common stocks as investments requires not only company analysis and industry study, but a perspective of the relative performance of the major industry groups along the general lines suggested here.

It is an unusual company that can escape those factors influencing the stability and growth of the industry as a whole, and there are wide differences in the manner and extent to which our major industries have been influenced during the course of the past two business cycles.

How to Judge Job Applicants

By MARIE L. SULLIVAN and MARJORIE S. DAVIS

Miss SULLIVAN is assistant to officers and in charge of women personnel, The Plainfield Trust Company, Plainfield, N. J. Mrs. DAVIS is in charge of advertising in the Plainfield National Bank and was formerly assistant secretary and assistant treasurer, Plainfield Trust Company.

THE employee in the wrong job results in a waste of both time and money and may mean a loss of customers as well. For this reason the position of personnel director, or officer in charge of personnel, is a highly important one.

Large banks throughout the country have well established personnel departments, but in smaller banks the duties of a personnel director often fall upon the shoulders of the busy executive, whose limited time does not permit a detailed study of employment problems.

To assist the employing officer of the smaller institutions, certain observations can be set forth, based upon practical experience over a period of years.

Constant care and thought are given to determine how depositors can best be served. Every well managed bank is eager to procure modern, efficient equipment; yet, if the employee using that equipment is not suited to his work, modern methods and machines fail. Mistakes in the selection of employees are costly, but many can be avoided.

Scientific methods in the selection of employees are helpful but are not to be compared with practical psychology in dealing with and sizing up people. Mental and special aptitude tests, when administered by amateurs, often lead to false results. There is no substitute for plain ordinary common sense based upon years of experience and the study of human nature.

In the selection of employees it is of first importance that every prospective employee be judged not only from the standpoint of his ability to fill the IMMEDIATE POSITION but for his POTENTIAL CAPACITY to accept greater responsibilities that lead to officership.

REMEMBER THESE FUNDAMENTALS

CERTAIN fundamental factors to be kept in mind, when selecting employees are:—

1. *First impressions.* What is the first impression he makes upon you? Is it the one you will want your public to get? First impressions are important, both to you and to your customers.

2. *Personal appearance.* "His personal appearance is his calling card." What does it say? Is he neatly, conservatively dressed and well groomed?

3. *Is he eager for the job?* His manner and response to you are an indication of what your customers may expect. If you have to make an effort to keep his attention, so will your customers. Beware of the applicant who inquires about length of hours. Watch the manner in which salary and work expected of him are discussed. (This, however, must not be confused with the normal interest all applicants have in these subjects.)

4. *Qualifications.* Education and training are first con-

siderations and must, of course, meet the employer's individual requirements. Background is important in almost every job and has a definite bearing on capacity for advancement. School and college records are often helpful in determining mental ability. They also indicate capacity for leadership and cooperation, where he has engaged in extracurricular activities. Too much importance cannot be placed upon these records. Legible handwriting is a prime requisite for bank employees.

5. *References and letters of recommendation.* Most important are references from recognized sources. On the other hand, letters of recommendation must be judged upon individual merit.

6. *Interviews.* When considering applicants for positions of responsibility it has been found helpful before a final decision is made to have a second or in some cases even a third interview. Entirely different impressions often result from subsequent conversations.

Due allowance should be made for nervousness when interviewing applicants. They are never at their best. Remember how you felt when you first applied for a job.

CERTAIN TYPES FIT CERTAIN JOBS

ALL types will apply—but only certain types will be adapted to the particular position open. If you require a detail worker with an analytical mind, do not select the person who is obviously the aggressive sales type. Keep him for your customer contacts. Select your introvert types for routine work where the employee is behind the scenes and does not meet the public. A clerk who might ultimately be an invaluable head of your central filing department would in all probability be a complete failure at your information desk.

An application file giving complete information about every prospective employee is invaluable to a bank of any size.

Every applicant should fill out a uniform application blank.

In the smaller institutions where the cost of printed application blanks is not warranted, a mimeographed or type-written form has proved to be both a time saver and an important record for future reference. The manner in which an applicant answers the questions is an indication, to a certain degree, of his ability and keenness in giving pertinent information clearly, concisely, neatly and in a businesslike manner.

There is shrewd experience in the following prescription given for analyzing and sizing up a person:

"Look into his eyes for honesty; around his mouth for weakness; at his chin for strength; at his hands for temperament; at his nails for cleanliness. His tongue will tell you his experience."

The director of personnel must keep in mind that, once having made his selection, it is his responsibility to foster the growth and development of the qualities that he has procured by giving his employees the necessary training, encouragement and opportunity.



Eagle Head Goes to the Bank

By DOUGLAS GOLD

THE first bank on the Blackfoot Indian Reservation was established just before America entered the World War. It was a difficult thing for the Indians to comprehend, as they thought of it in terms of a store and did not see why one should go into a store to buy money when money had to be used to pay for it. However, the Government urged them to put their money in the bank when they sold their cattle and even attempted to get them to open savings accounts for which they would receive interest. The interest idea was also hard to understand. Their conception of it, however, was eventually not bad as they called it "money babies". In time a number of Indians came to have accounts. Those who could write signed checks and others made their signatures by first pressing their thumbs on ink pads and making a proper print on the signature line of the check, which, of course, had been previously written and filled in by some trusted and learned accomplice.



I worked in the bank only part time then, but was asked by the cashier one day to relieve him, as he was unexpectedly called out of town. He had just a few minutes to catch his train, and as he was to be gone for about two weeks, I went very carefully over every bit of cash and paper I could find. When the mail came in the first morning, I discovered several checks signed by Eagle Head, but to my surprise found that his name did not appear in the depositors' ledger. As I could not get hold of the old fellow, I called the disbursing officer at the Agency and told him my predicament. The D. O. assured me that Eagle Head had the money in the bank as he had sold some inherited land a few days before and had been given a draft on the Conrad bank in Great Falls for \$800. I went back over my ledger again and even checked over the deposit slips for each day since the land sale. Finding no record of the money, I was forced to mark the checks "No Funds" and send them back to Cut Bank on the evening mail.



The noon mail brought a check for \$400, also from Cut Bank, made out to the Ford Agency. As I knew the genial fellow who operated it, I promptly got him on the phone. "John," I said, "I'll have to return this check of Eagle Head's."

"Hell's bells," said John, "Dr. Munsey told me that he had sold some land and had a lot of money, so when he came in here with a couple of squaws and some young buck who knew how to drive, I sold him a second hand car."



"You'd better get hold of him," I said, "and get your car back because he has no money here."

"I'll run him down," said John, "and call you after a little."

My phone jangled, and it was the disbursing officer. "I've had several calls," he said, "from merchants telling me that you are refusing Eagle Head's checks."

"Yes," I said, "I've turned down several of them."

"Well, Eagle Head has \$800 in your bank because I saw the draft myself. He sold some land on Monday. Didn't he come into the bank afterward and make a deposit?"

I had to admit that I in the bank on Monday but an inspiration. "Maybe it's ings," I said. "I'll have and call you back." I through the savings ledger



hadn't been suddenly got in the sav- another look searched but could find no record of any money credited to the honorable Eagle Head.

By this time John had me on the phone to tell about the car. "He's gone north," he said, "toward Sweet Grass. They filled 'er with gas and put the squaws in the back seat. They had the top down and the kids were sitting in the top with their legs hanging over. They said Eagle Head was sitting by the driver with a grin you could see from behind, and the squaws were having a hell of a time. One of the boys seen 'em cross the railroad track, and they almost bounced the kids out of the top. Then they lit out north, going like a jack rabbit with a prairie fire behind him. You sure he ain't got any money there?"



"I'm sure, John, not a dime, but I'll have to run the old bow and arrow down I suppose."

"Doc Munsey sure told me he had the cash."

Next morning's mail brought two checks from Sweet Grass, one to a butcher shop for \$18 on which the butcher had marked "One quarter of beef" and one from the Sweet Grass International Bank for \$50.

This thing was getting too deep for me. I dug out my ledgers again and called up the Indian office to see what Eagle Head's other names were. I knew every name in the ledger and there simply wasn't any Eagle Head or any alias that could be his. I had another inspiration. Maybe he had put it on a certificate of deposit and thought he could draw checks against it. I accordingly checked through the C. D. ledger but found there wasn't a chance. I got the Sweet Grass bank on the wire and told them I would have to return Eagle Head's check. I knew the fellow up there, and he was pretty mad. "Why," he said, "that redskin was in here last night after we closed and wanted \$50 in Canadian currency. Said he was going up to visit some relatives on the Blood Reserve. He went through the customs last night and God knows where he is by this time."



My phone rang, and the disbursing officer shouted at me. "The Sweet Grass bank has just called me, and they are sending the Canadian authorities out to arrest Eagle Head because you say his check is no good. If you weren't in the bank Monday when that land was sold, who was?"

I explained to him quite mildly that the cashier had been here but had gone on an unexpected trip to Missouri.

"Well, Eagle Head's got \$800 in that bank and you'd better quit turning back those checks. I saw it myself. It was a draft on the Conrad bank of Great Falls. He sold an allotment of one of his kids that had died."

"Well," I said, "I've looked in every possible account and he's got no money here."

"Look again," yelled the D. O. and banged the receiver.

I scratched my head for some time and suddenly got another inspiration. Remembering an Indian's liking for silver money, it occurred to me he had cashed his check in gold and silver and put it in a deposit box. So I checked the deposit box record but found none for Eagle Head or any of his kin. In fact no new boxes had been rented since the fatal Monday of the land sale.

The phone rang again, and it was a mercantile store in Koots, Alberta. "Say," the fellow said, "this bank here at Sweet Grass tells me these checks of Eagle Head's are no good. Is that so?"

I assumed as much dignity as I could. "We have no account for Mr. Eagle Head," I replied.

"Well, the damned wallpaper was in here last night just after he crossed the line and bought a basket of bread, a case of canned milk, a pail of coffee, a whole flock of Bull Durham and oranges."

"Ah," I thought, "the repast is complete."

The next day had for the most part the quiet which goes before the storm. Only one call relative to Eagle Head and that a friendly one from John, the Ford salesman. "Eagle Head showed up there yet?"

"No, John, I think he's up in Canada some place visiting his relatives in the Blood tribe."

"Just where would I go to locate him? I want to get that car back."

"Well," I said, "he's probably off in the brush some place northwest of Cardston and south of the Peace River. But remember he's on Canadian soil, and you'll have a hard time taking the car from him. Also he's the only one who can bring it back across the line, as you would be an importer and would have to pay duty."

"Hell, yes," said John, "I never thought of that. What'll I do?"

"Well," I said, "if they keep making gasoline in Canada, sooner or later he'll come home. In the meantime report your troubles to the Agency here."

"I did that," said John, "or tried to. I got hold of that fellow they call the disbursing officer and he didn't act like no gentleman. Said he didn't want to hear no more about it."

We really purred through the following day, things were so quiescent. Just before closing time, however, a caravan drove up in front of the bank door. The first car was a

The author takes this story from a notebook of his experiences among the Blackfeet since 1914 as a banker, merchant, teacher and rancher.



government Ford occupied by the D. O. and several Indian policemen. The second car bore a Canadian government license and held an important looking individual and several Blood Indians. The third car was Doctor Munsey's, and he and several others were in it. And bringing up the rear was Eagle Head. I noted with pleasure that the two kids still dangled their legs over the stern sheets, albeit the folded top was sagging perceptibly.

The party swarmed into the bank, the D. O. pleased at his opportunity. "Now see here," he says, "this here Indian got \$800 in my office on Monday morning, and he says he come right straight down here to this bank. Isn't that right, Eagle Head?"

"Uh, yes," said Eagle Head, "sell land for \$800, come down here."

"Was this man here?" asked the D. O., pointing an impolite but effective finger at me.

"Sa (No)," said Eagle Head. "Fat man."

The D. O. impaled me with an accusing eye. "Who would that be?"

"Mr. Jordan, the cashier," I explained. "He was unexpectedly called out of town. His mother is quite sick at St. Joe, Missouri."

Doctor Munsey, a friend of all the Indians, could restrain himself no longer. "I happen to know," he said, "that what Eagle Head said is correct because I appraised the land and helped him arrange the sale. I met him just across the square there as he was coming down to the bank, and he showed me the check and asked me what you had to do to it. It was already endorsed, so I told him just to bring it over here and he could get blank checks. I cautioned him not to carry cash with him."

"Uh," said Eagle Head, "cash checks here." As proof he pulled out one of our blank check books with about half the pages missing, the stub ends bearing indisputable testimony to the vigor of Eagle Head's spending spree.

At this moment there was another commotion outside, and my friend John from Cut Bank with two deputy sheriffs forced their way into the bank. Many customers and interested spectators had also gathered, and I felt myself withering under the hundred accusing eyes.

"You see," said the D. O., "there's the check book account. Where else could he have gotten it but here?"

"Why—why," I stammered, "I'm sure I don't know. I—I suppose he got it here. Eagle Head," I said, "where did Mr. Jordan put your check when you gave it to him?"

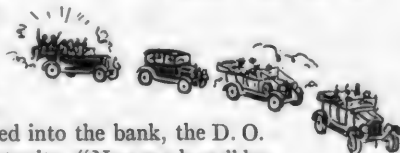
Eagle Head looked from me to the D. O. questioningly.

"Yes," said the D. O., "do you remember? Did he put it in that cash drawer or take it back in the vault or where did he put it?"

"Oh, that," said Eagle Head, "I got him here."

Thus saying, he took out a small salt sack bound round with a rawhide thong. Loosening this while we all stared speechless, he removed a small silk handkerchief tied with red string. Out of this he produced a soiled little wallet with a rubber band about it, and from the depths of the wallet came a spotless draft drawn by the Conrad bank of Great Falls. He waved it vigorously and victoriously as complete proof of all that he had said, pointing triumphantly at the amount.

"See?" he cried. "I tol you. Eight hundred dollar!"



Air Conditioning

Question No. 3—Is Air Conditioning a Factor of Growing Importance in Home-Building Activity and the Real Estate Market Generally?

In line with the two previous articles of this survey, which appeared in the January and February issues of BANKING, the following data—statistical and factual—comprise the salient answers to Question No. 3: "Is air conditioning a factor of growing importance in home-building activity and the real estate market generally?"

ARATHER general belief in air conditioning's growing importance for real estate and home building is revealed in the answers to Question Number 3 of BANKING's study. Opinions were also expressed in most instances of the present status of air conditioning, showing widely varying viewpoints.

The replies to Question No. 3 in the following two tables represent the seven geographical state groupings, namely, North Central, Middle Atlantic, South Atlantic, South Central, New England, Pacific, and Plateau States.

TREND	NORTH CENTRAL STATES		MIDDLE ATLANTIC STATES		SOUTH ATLANTIC STATES	
	Replies	%	Replies	%	Replies	%
Yes.....	275	38.7	143	30.9	89	26.1
Slight.....	153	21.6	96	20.8	78	23.4
Doubtful.....	81	11.4	48	10.4	40	12.4
No.....	200	28.3	175	37.9	126	38.1
Totals.....	709	100.	462	100.	333	100.

TREND	SOUTH CENTRAL STATES		NEW ENGLAND STATES		PACIFIC STATES		PLATEAU STATES	
	Replies	%	Replies	%	Replies	%	Replies	%
Yes.....	80	39.3	56	27.0	31	40.2	18	25.0
Slight.....	51	23.6	45	22.3	19	24.9	17	23.6
Doubtful.....	44	21.2	28	13.5	6	7.8	12	16.7
No.....	33	15.9	78	37.2	21	27.1	25	34.7
Totals.....	208	100.	207	100.	77	100.	72	100.

It is interesting to observe that of the seven state groupings, only two, the North Central and the South Central States, indicate a marked preference for air conditioning. These two sections, which comprise 16 states, have a population of approximately 50,000,000 people. That these two sections have been revealed as the territory where air conditioning has made the greatest progress is no indication

that the remainder of the states may not show the same rate of progress in the near future. Practically from each state comes a consistent note of optimism that "air conditioning is increasing in importance" and that its "future growth is an assured fact." This assertion is corroborated by basic data which will be found in this article.

North Central States

	TREND				
	YES Replies %	SLIGHT Replies %	DOUBTFUL Replies %	NO Replies %	TOTAL Replies
North Dakota	7 58.3	1 8.3	2 16.7	2 16.7	12
South Dakota	3 60.0	1 20.0	.. ..	1 20.0	5
Nebraska....	8 40.0	4 20.0	1 5.0	7 35.0	20
Kansas.....	26 34.7	18 24.0	7 9.3	24 32.0	75
Minnesota...	24 43.5	12 21.8	4 7.4	15 27.3	55
Iowa.....	16 29.2	13 23.7	2 3.6	24 43.5	55
Missouri.....	34 60.6	12 21.4	2 3.7	8 14.3	56
Wisconsin...	32 36.8	19 21.8	14 16.1	22 25.3	87
Illinois.....	28 28.3	24 24.2	34 34.2	13 13.3	99
Indiana.....	32 42.6	13 17.4	2 2.7	28 37.3	75
Michigan....	27 42.8	13 20.6	3 4.8	20 31.8	63
Ohio.....	38 35.5	23 21.5	10 9.3	36 33.7	107

The North Central States appear to have given a decidedly affirmative answer to Question No. 3, according to the foregoing table. On the one hand, we have Missouri, with 34 "yeses", against 8 "noes"; and on the other, Iowa the only state of the 12 which recorded more "noes" than "yeses", namely, 24 against 16. In three instances, Ohio, Nebraska and Kansas, the replies, "for" and "against", seem to be pretty evenly divided.

A very interesting and pertinent observation is the following from St. Louis, Missouri: "Saint Louis is recognized as the leader in the nation in the air conditioning of buildings generally. Almost every prospective home owner is very particular to see that an air conditioning unit of some kind is installed in the building in which he is interested. From a commercial point of view there is a definite trend toward air conditioning of the greater part of our downtown buildings. We believe that in the next five years there will be very few modern buildings in this area without air conditioning." From other points come such comments as: "This is a new field; needs building up." "Depends on conditions and decrease in costs." "New home buyers interested, but beyond the pocket of average wage-earner."

New York and Pennsylvania, according to the returns, do not appear to agree on the subject of air conditioning.

Middle Atlantic States

	TREND				
	YES Replies %	SLIGHT Replies %	DOUBTFUL Replies %	NO Replies %	TOTAL Replies
New York...	53 36.3	32 22.0	12 8.2	49 33.5	146
New Jersey...	29 34.1	21 24.7	8 9.5	27 31.7	85
Pennsylvania	61 26.4	43 18.6	28 12.2	99 42.8	231

Out of 146 replies, the Empire State sent in 53 "affirmatives", or 36 per cent of the total, against 49 "negatives", or 33 per cent. Pennsylvania's 231 responses showed a preponderance of "noes", 99, or 42 per cent, against 61 "yeses", or 26 per cent of the aggregate. New Jersey, with 29 "for" and 27 "against", seemed to be evenly divided.

A New Jersey banker sends in the following comment: "Almost all new properties are insulated and air conditioned. This will, of course, have an influence on existing construction. I would say that this matter is growing in importance." Another reply states that "air conditioning will be one of the most important factors in future building." Two more replies are: "Units are inferior and poor in operation." "Air conditioning is still in its infancy and awaits perfecting."

Answers from Pennsylvania are diverse, but quite revealing of what bankers in this state think of air conditioning. One reply says: "Practicable only in commercial buildings at present." A second states: "Can be installed only in new, high-priced homes." A realistic banker replies: "At present, insulation is more important." Another says: "It helps, but not a demanding factor yet." The following reply may give a clue as to where air conditioning will eventually take a firm grip: "More important in newly developed areas."

The State of New York has contributed many valuable observations on the present status and the future of air conditioning. Take the following: "Air conditioning is of importance to commercial activities, particularly large retail establishments, but not considered an important factor in medium-priced home-building." Another comment: "Partial air conditioning, such as humidifying and forced draft, is being used more locally. There is very little complete air conditioning." The following challenges advertising claims: "Yes, but installation is not entirely satisfactory, failing to live up to 'comfort' advertised." The next comment foreshadows a demand for air conditioned homes: "We find that in practically all new construction or modern houses the question is asked: 'Is it air conditioned?'" The following banker is clear-sighted: "Air conditioning is a factor in the better type of houses, but not in the group of

South Atlantic States

	TREND				
	YES Replies %	SLIGHT Replies %	DOUBTFUL Replies %	NO Replies %	TOTAL Replies
West Virginia	9 32.1	7 25.0	5 17.9	7 25.0	28
Virginia...	14 35.0	10 25.0	2 5.0	14 35.0	40
Delaware...	3 30.0	3 30.0	2 20.0	2 20.0	10
Maryland...	6 31.6	2 10.5	6 31.6	5 26.3	19
North Carolina	7 26.9	11 42.4	.. ..	8 30.7	26
South Carolina	7 41.3	3 17.6	1 5.9	6 35.2	17
Georgia...	9 20.9	5 11.7	9 20.9	20 46.5	43
Florida...	4 12.8	9 29.2	.. ..	18 58.0	31
Alabama...	3 10.7	2 7.2	5 17.7	18 64.4	28
Mississippi...	8 28.6	6 21.4	2 7.2	12 42.8	28
Tennessee...	14 37.9	6 16.2	5 13.6	12 32.3	37
Kentucky...	8 30.8	4 15.4	.. ..	14 53.8	26

cheap homes which are being financed at the present time, mostly through F.H.A." A hopeful note is sounded in the next comment: "Air conditioning is, and will be, one of the most important factors in home building in the near future."

From Florida comes this pertinent comment: "Air conditioning is growing in popularity, and all new business rentals and buildings are being requested to air condition from year to year. However, it seems to be more important in business building than in home building." One reply states that "those who own the better-type homes, where units might be installed, return to the North in the Summer." A banker writes: "Manufacturing methods have little appeal. People are more interested in non-draft natural air conditioning."

An Alabama reply endorses air conditioning: "In most of the nicer homes under construction in our city, air conditioning is going to be an important factor. However, most of the units are confined to certain areas in the homes. To date, air conditioning has had little effect on the real estate market." Another comment is that "people are more interested in insulation of home properties."

A Delaware banker sends in a terse but optimistic observation: "Fifty per cent of new homes have some type of air conditioning." Another states that "units are being installed in high-priced homes and public buildings."

South Central States

	TREND				
	YES Replies %	SLIGHT Replies %	DOUBTFUL Replies %	NO Replies %	TOTAL Replies
Oklahoma...	15 34.1	12 27.3	4 9.1	13 29.5	44
Arkansas...	12 40.0	5 16.7	.. ..	13 43.3	30
Louisiana...	6 33.3	5 27.8	.. ..	7 38.9	18
Texas...	47 40.2	29 25.0	20 17.4	20 17.4	116

An analysis of the returns from the South Central States shows that Texas appears to be unequivocal in its endorsement of air conditioning, for 40 replies registered "yes" against 20 "noes", out of 116 responses. Of the other three States, opinion seems to be evenly divided.

A response from Texas states: "Air conditioning is hardly a factor in home building here now. It is a factor of growing importance in business property." "Its general adoption will come," states this reply, "when prices of units are more reasonable." "Banks are installing air conditioning plants in their buildings," says one correspondent.

A banker in Oklahoma writes: "At present more interested in attic fans, insulation and air filters." Another states: "Air conditioning is becoming more important in public buildings. Quite a few believe that air conditioning 'will play a considerable part in the future.'"

Arkansas bankers state that "units are particularly adapted for new high-priced homes" and that "theaters and business buildings are potential prospects."

From Louisiana come a few replies that "people are mostly interested in circulating type of units to relieve pressure in attics." Other observations are: "Only adapted for better grade homes" and "beyond reach of average wage-earner at present."

The data from the New England States show that only one state, New Hampshire, is favorably disposed at present toward air conditioning, the figures being 10 "for" and 5 "against". However, the following observations foreshadow a change in sentiment concurrent with simplification of air

(CONTINUED ON PAGE 76)

The Legal Answer Page

Photographic Records:

The much publicized Manton case [United States v. Manton, December 5, 1939, U. S. Cir. Ct. of Appeals] has interesting angles other than those emphasized by the newspapers. Of interest to bankers, who photograph most of their business records so that they may destroy the originals and save storage space, is the ruling of the court on the admissibility of photographic copies of checks. Objection was made to the introduction of such copies in evidence on the ground that they do not constitute the best evidence. It was argued that the original checks themselves were the best evidence and that their absence should have been accounted for as a prerequisite to the admission of the photographic copies. The court ruled that such copies are made and kept among the records of many banks in due course of business. "Their accuracy is not questioned. They represent, in the course of a year, perhaps millions of transactions. No one at all familiar with bank routine would hesitate to accept them as practically conclusive evidence. As proof of payment, they constitute not secondary but primary evidence." Since the photographic copies were held to be primary evidence, there was no need to account for the absence of the original records.

The Manton case is not the general rule on the admissibility of such evidence. Corpus Juris states the general rule as follows:

"A photographic copy of a document is admissible where the original cannot be produced, or has become illegible on proof that it is an exact copy of the original * * *"

Where this rule prevails the bank would have to show that the original documents were destroyed as a normal banking practice and that the copy in evidence was "an exact copy of the original." The latter could be shown by evidence as to the operation of photographic machines.

Kentucky Deposit Tax:

Of general interest to bankers is the ruling of the United States Supreme Court on the constitutionality of a statute taxing bank deposits within the state and outside the state at very different rates. The statute in question, a Kentucky statute, imposed on its citizens an annual ad valorem tax on their deposits in banks outside of the state at the rate of fifty cents per hundred dollars and on their deposits in banks located within the state at the rate of ten cents per hundred dollars. It was attacked as unconstitutional because of the additional burden imposed on out-of-state deposits. [Madden v. Kentucky, U. S. Sup. Ct., Jan. 29, 1940.]

The Supreme Court of the United States held that the state legislatures possess the greatest freedom in classification. This is true because classification traditionally has been a device for fitting tax programs to local needs and usages in order to achieve an equitable distribution of the tax burden. "Since the members of a legislature necessarily enjoy a familiarity with local conditions which this court cannot have, the presumption of constitutionality can be overcome only by the most explicit demonstration that a classification is a hostile and oppressive discrimination against particular persons and classes."

The court likewise held that the right to deposit money in

banks outside the state of residence was not a right appertaining to national citizenship, as claimed, and therefore not protected by the privileges and immunities clause of the Federal Constitution.

Interlocking Bank Directorates:

The authority for certain directors who have been serving a member bank to continue to serve that member bank and in addition to serve not more than one other bank expired on February 1, 1940. On the same day, however, the Board of Governors of the Federal Reserve System extended the final date until June 1, 1940.

This extension was made at the request of Senator Wagner and of Senator Glass, and upon receipt of a letter from the President of the United States advising the Chairman of the Board that he would have no objection to a short extension.

Previously the Board amended its regulations so as to permit any director, officer or employee of a bank, which does not exercise trust powers, to serve a trust company provided the trust company does not receive deposits. [Amendment to Regulation L, Federal Reserve Bulletin, February 1940.]

Payment of Check After Death:

Because of the interest shown by bankers in the statutory citations for the item appearing under this caption in the October issue, a summary of the statutes therein referred to will be given below.

Connecticut:

General Statutes (1930) §3988, as amended 1939 Supplement §1217c Authorizes savings bank or savings department of any trust company to pay an order up to \$500 within 30 days after date of order, if no actual notice of death.

Maine:

Revised Statutes (1930) Chap. 57 §23 Authorizes any bank, institution for savings, or trust company to pay an order within 30 days of date of order; or at any time if no notice of death.

Massachusetts:

Annotated Laws (Permanent Edition) Chap. 107 §17, Chap. 168 §52 Authorizes any depository subject to withdrawal by check or demand draft to pay a check or demand draft within 10 days after its date. Authorizes savings banks to pay an order if presented within 30 days after its date, or at any time if no actual notice of death.

New Jersey:

Revised Statutes (1937) §7:5-9 Authorizes any depository subject to withdrawal by check or demand draft to pay a check or demand draft if presented within 10 days after its date.

Vermont:

Public Laws (1933) §7214 Authorizes any depository to pay check, demand draft or order if presented within 30 days after death of drawer.

Virginia:

Code (1936) §5748 Authorizes any bank to pay check if presented within 2 weeks from date of death of drawer.

The reference to a West Virginia statute made in the October item was incorrect; the statute which was the basis of the reference was repealed.

News Poor

WE have more surveys, official figures, sources, newspapers and "information services" than ever before. At the same time we are more in doubt about the condition and trends of business than ever before. The same poverty in the midst of plenty is true in other fields of news, for in addition to all the myriad means of news gathering and dissemination, we have

the propagandist and the censor, who make it their business to scramble and withhold the truth. Moreover, today's events in their raw state need no censor to reduce them to confusion. They are already too much for anyone to rationalize. The historian still has the final word. Here are some events and situations about which we hear a great deal and know very little.

BUSINESS UP OR DOWN? WHAT LEGISLATION IS COMING?

Who will live here?



A.P.

Assistant Secretary Grady defends Hull tariff program



HARRIS & EWING PHOTOS

WHAT'S HAPPENING ON THE WESTERN FRONT? . . . HOW FAST CAN THE ALLIES BUILD PLANES? . . . WILL BRITISH CITIES BE BOMBED? . . . WHY DOESN'T THE ROYAL AIR FORCE DO SOMETHING?

Air Chief Marshal Newall and flyers



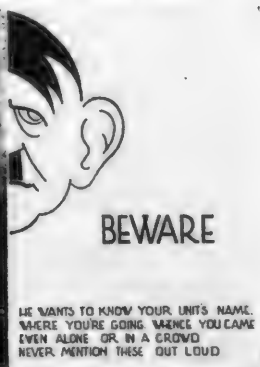
ACTUALITY FROM GUILLUMETTE

Poilus on patrol



EUROPEAN

British poster



EUROPEAN

London shop



French women in an aircraft factory



P.P.C. PHOTOS

March 1940

CAN THE LEADING NEUTRAL MAKE A SUCCESSFUL PEACE EFFORT? . . . WHAT NEUTRAL WILL BE THE FIRST DRAWN INTO THE CONFLICT?

Welles and Taylor sailing



ACME

Joelsing Fjord, Norway, scene of *Altmark* incident



ACME

Belgian King and troops



WIDE WORLD

King Gustav opens the Swedish parliament



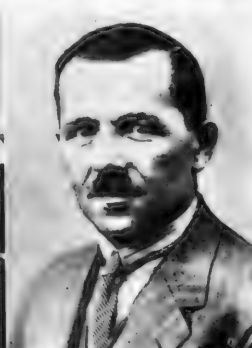
INTERNATIONAL

Duce's wife in uniform



GUILLUMETTE

Turkish Diplomat Saracoglu



WIDE WORLD

Oil refineries at Ploesti in Roumania's coveted petroleum fields



EUROPEAN

Roumanian Gafencu and Yugoslavian Cincar-Markovitch at parley



WIDE WORLD

WHAT BROKEN PRECEDENTS, PARTY BOLTS AND DARK HORSES WILL THE VOTERS FACE IN NOVEMBER?

GOP Platform Builder Frank and National Chairman Hamilton



HARRIS & EWING

Democratic Publicity Director Michelson and Party Member Garner



ACME

HOW STRONG ARE OUR DEFENSES? . . . WHAT LABOR POLICY *WILL* WORK? . . . WHO'S A COMMUNIST?

Chief of Staff Marshall (saluting) inspecting the Canal Zone. The President's visit followed



WIDE WORLD

William Green before the House committee investigating the Wagner Act's operation. Senator Wagner now has another suggestion



ACME

President Roosevelt (on balcony) rebukes Russia before American Youth Congress



HARRIS & EWING

WHAT ARE JAPAN'S INTENTIONS TOWARD THE WESTERN POWERS? . . . ARE ANY POLITICAL CHANGES IMMINENT IN BELLIGERENT COUNTRIES?

In the Japanese Diet, where U. S. trade is being discussed



ACME

Premier Daladier before the Chamber of Deputies



EUROPEAN

HOW IS THE "NEW ORDER" PROGRESSING IN ASIA?

Chinese jeer Jap-controlled police in Shanghai



P.P.G.

Jap supply train in southern China



ACME

March 1940

35

ARE THE TWO EUROPEAN WARS GOING TO MERGE? . . . DOES A SMALL DEMOCRACY HAVE A CHANCE?

Part of 550 Russian prisoners at Suomussalmi



EUROPEAN

An American news photographer in Finland



EUROPEAN

WILL THERE BE A NEAR EASTERN FRONT? . . . WILL THE POLITICAL SITUATION IN CANADA AFFECT THE WAR'S TEMPO? . . . WILL INDIA CAUSE BRITAIN TROUBLE?

Canadian sailors receive torpedo training



GUILLUMETTE

Australian troops in Sydney before leaving for Suez



WIDE WORLD

Indian troops in France



WIDE WORLD

Polish troops parade in France



GUILLUMETTE

BANKING

How This Income Tax Started



CULVER SERVICE

Louis XIV and Moliere. Louis' high cost of government led to direct income taxation in France

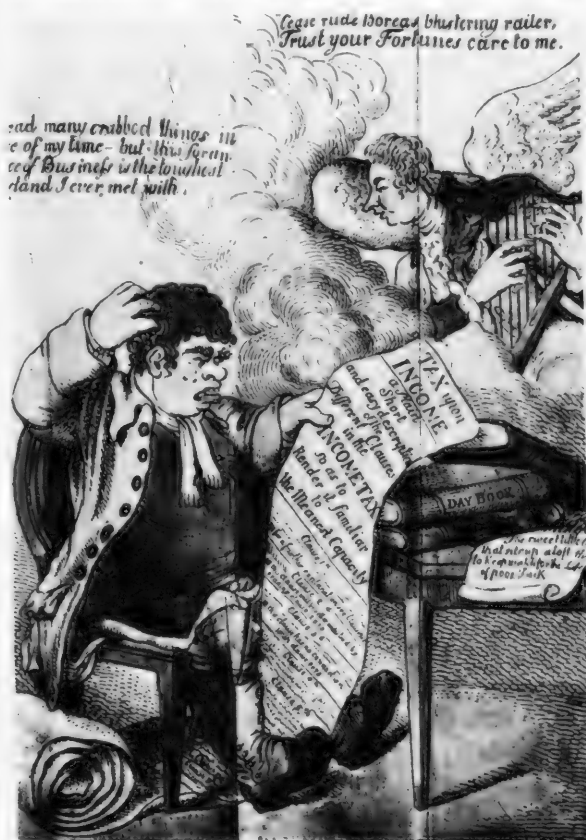
UP to the fifteenth century practically all taxation had been based on property. There were many variations of property taxes, of course, and sometimes imposts were laid on the products of property. In the 1400's, however, there appeared in the independent Italian cities what can be called an income tax in the modern meaning of the term.

The downfall of these cities led to the disappearance of income taxation in Europe until 1697, when a variant of this tax was imposed in France. The rate of the French tax varied according

to the taxpayer's social position. The real inauguration of a modern income tax occurred in England in 1799, being necessitated by the war with France.

In the American colonies as far back as 1646 the Massachusetts Bay Company laid a tax on the produce of estates, while in 1673 Rhode Island taxed the profits of merchants and tradesmen. Other colonies had similar measures.

The pictures on these pages tell something of later income tax developments.



BETTMANN ARCHIVE

Left, a British cartoon of 1800, poking fun at the complicated provisions of the income tax law. John Bull, with his ledgers nearby, is trying to make sense of a long explanatory document, while his guardian angel hovers in a cloud.

Below, a cartoon of 1862. The first Federal income tax law had been passed in the previous year. Chase was Treasury Secretary.



CULVER



CULVER SERVICE

THE SIXTEENTH AMENDMENT

Above, the Supreme Court in 1899. Most of these Justices were members of the Court in 1895 when the income tax law of the previous year was declared unconstitutional. The basis of the attack was Section 2 of Article I of the Constitution, which provides that direct taxes shall be apportioned among the several states. Two hearings on the case (*Pollock v. Farmers' Loan and Trust Company*) were necessary, the first having resulted in a tie

on some points at issue. Justice Shiras (standing, second from left) changed his vote on the second hearing. Chief Justice Fuller is seated in the center in the photograph. (An amusing fact is that three members of the Court were Justices Brown, Gray and White.)

The Sixteenth Amendment became part of our fundamental law in February 1913, and made passage of a new income tax law possible. The measure was approved by President Wilson on October 3, 1913.

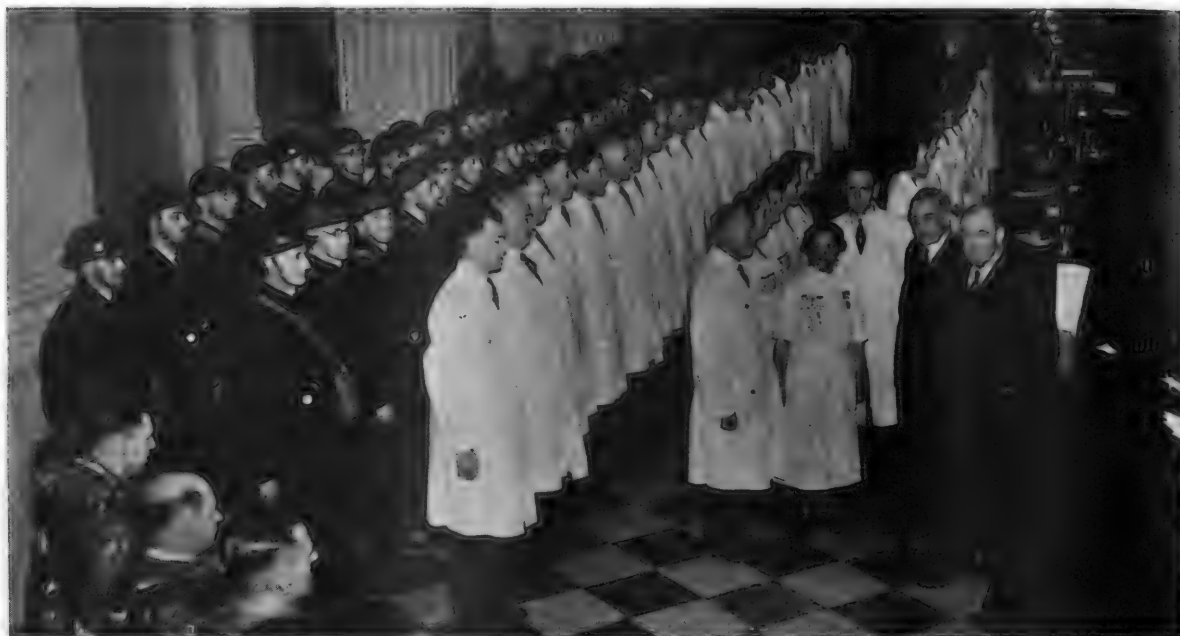
The present Internal Revenue Building in Washington, which houses the income tax division of this Treasury bureau



CUSHING

March 1940

A. R. P. in a British Bank



Chairman Bethell of the Westminster Bank (in civilian clothes at extreme right) inspects the A. R. P. squads

LIKE other British institutions, the Westminster Bank has been organized for A. R. P. (Air Raid Precautions) work. Employees of the bank have been grouped as air raid wardens, first aid parties and decontamination squads, with both men and women participating. The pictures here show an inspection.

"War-Time Bank Life in Britain", in *BANKING's* December issue, told something of how the A. R. P. squads operate.

In a humorous piece, "War and the 8:20", in *The Dark Horse*, staff publication of Lloyd's Bank, London, the writer describes his thoughts as he goes to work at the bank one morning. "In my judgement," he says, "there are right and wrong people to be cooped up with in a railway compartment during a raid." Leaving the train he meets Brown, "Hullo, Brown," he says. "You seem to be avoiding me these days."

"Well, as a matter of fact," Brown retorts, "I am. You see, old chap, when you are in a train during an air raid you are advised to lie on the floor. Supposing you were in my compartment—a fat chance I should stand with your fifteen stone!"



First aid parties formed by men and women clerks

A decontamination squad formed by men clerks of the bank



Air raid wardens and a women's decontamination squad



ALL PHOTOS FROM BRITISH COMBINE
BANKING

We Are Pleased to Present

Annual Mid-Winter Conference Illinois Bankers Association

ONE feature of this meeting was so outstanding that it will be repeated at the New York and Denver Regional Conferences this month. This part of the Illinois program, held late in January at the Palmer House, Chicago, was the performance of "John Sterling Finds the Answer", with an "all star cast" made up of employees of Chicago banks.

There were 14 scenes. The first and last showed the lobby of the Pleasantville National Bank (below). The other 12 scenes showed in a very effective way the various services available to banks through their state and national organizations designed to help solve problems in public relations, and were:

- II. Office of Harry C. Hausman, Secretary of the Illinois Bankers Association, Chicago.
- III. Directors' room, Pleasantville National Bank.
- IV. Conference room, Pleasantville National Bank.
- V. Broadcasting studio.
- VI. John Sterling's home.

- VII. John Sterling's office, Pleasantville National Bank.
- VIII. Broadcasting studio.
- IX. Pleasant County Group Study Class, A. I. B. Section
- X. Broadcasting studio.
- XI. Office of William T. Wilson, Director, Public Relations Council, American Bankers Association, New York.
- XII. Office of Preston E. Reed, Executive Vice-president, Financial Advertisers Association, Chicago.
- XIII. Meeting of the Pleasant County Bankers Association.

The script of the play was written for and produced by the Illinois Bankers Association, with the cooperation of the American Bankers Association, the American Institute of Banking Section and the Financial Advertisers Association. All but the principal members of the cast were members of the Chicago Chapter, American Institute of Banking Section. Burr E. Lee played the part of John Sterling.

Directors of production were T. Alex Vaughney, President, Chicago Chapter, A. I. B. Section, City National Bank and Trust Company; Joseph J. Schroeder, Executive Secretary, Chicago Chapter, A. I. B. Section; W. E. De Herder, Property Manager, First National Bank.

Opening scene of "John Sterling Finds the Answer"



Mid-Winter Meeting, Executive Council, American Institute of Banking Section

IN FT. WORTH, JANUARY 24-26.—Seated, left to right: Russell C. Lemmon, Elmer M. Volkenant, J. L. Dart, Vice-president, Harry R. Smith, President, Milton F. Barlow, Albert F. Newman, J. H. Gormley.

Standing, left to right: Floyd W. Larson, Assistant Secretary, John L. Barnes, Edward F. Matthews, David E. Simms, Garnett Carter, David L. Colby, Elmer W. Pollock, L. M. Barousse, J. A. Reagan, William A. Irwin, Associate Educational Director



Mid-Winter Trust Conference, American Bankers Association



KERR



50210

AT THE WALDORF-ASTORIA, NEW YORK, FEBRUARY 13-15.—At a luncheon in honor of past Presidents of the Trust Division were, *left to right, above*, Merrel P. Callaway, Gilbert T. Stephenson, Richard G. Stockton, Lucius Teter, Carl W. Fenninger, Roland E. Clark, *President*, Merle E. Sealeman, Theodore G. Smith, Leon M. Little, Robertson Griswold, Samuel C. Waugh

Left, part of the audience at one of the general sessions

Below, two views of the educational displays



KERR PHOTOS



Banker-Farmer Film

THE film, *Four Pillars of Income*, is a visualized story of diversified farming based upon the program which the First National Bank of Clarksville (Tennessee) developed for its immediate trade area. In natural color, this one-hour showing presents the theme of seasonal farm products ideally suited to local conditions, which provide quarterly income to bridge over the sale of one crop until the next is ready for market. The four main sources of profit are tobacco for Winter, lambs and wool for Spring, wheat and other small grain for Summer, and beef cattle for Fall. In addition the picture touches other possible income sources such as dairying, hogs, poultry, etc.

Following the market phase, the film turns to the home program relating to the production of adequate foodstuffs for animals and the table, including gardening, canning and storing products for Winter consumption.

Near the end the picture presents the results of better farm practices, evidenced by waste lands reclaimed, new fences taking the place of ragged useless rows, new barns to house crops and animals, new and better homes. Dramatically it concludes with a brilliant rainbow in a cloudy sky—a suggestive vision of better things to come through the bank's program of improvement.

A companion film, added as a trailer and titled *Local News*, is a collection of random shots taken of some 200 4-H Club and vocational agriculture boys and girls who participated in the successful junior cattle show and sale staged at Clarksville last Fall.

With an appropriate musical background and running commentary, both pictures rate high in entertainment and educational value. Within a few weeks after its first release total audiences ran over 4,500 and engagements were booked two nights weekly through Spring at school houses or churches within the area. Requests for additional and repeat showings will carry over the program well into next Fall.

To meet the uncertain facilities afforded in the small outlying towns of the 50-mile trade area, full equipment is transported in three bank-owned cars—a coupe for projectors, sound equipment, films and batteries; a pickup truck loaded with 100 folding chairs, a sedan for staff members.

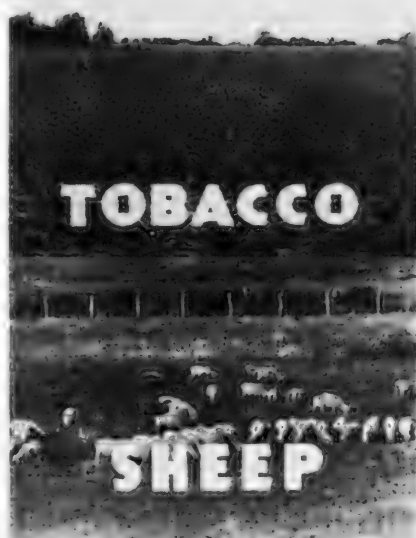
From filming to showings this whole undertaking is the work of Assistant Vice-president W. D. Meacham, who estimates production and showing costs at less than 10 cents per person when the film finally completes its present schedule of showings.

Under the sponsorship of the Alabama Bankers Association more than 100 bankers and county farm agents from eight states visited Clarksville in December to study the First National's successful banker-farmer program. A showing of the film was part of the two-day schedule in which this group took part.

Below, C. W. Bailey, president of the First National Bank of Clarksville, Tennessee, before an audience of 520 bankers, farmers and county agents who are about to see the film, The Four Pillars of Income



March 1940



Popularization



IF YOU NEED MONEY *to finance your home*
 PAY-AS-YOU-GO
LET US HELP YOU WITH A
MORTGAGE
that brings your ownership up and your debt down

**EAST SIDE
 SAVINGS BANK**
 CORNER MAIN AND CLINTON *The Corner on Convenience*

FHA MODERNIZATION LOANS AVAILABLE

THE car cards on these pages show how banks are making use of this local advertising medium. This type of advertising undoubtedly has its place in any well rounded program; the extent of its use depends on many local factors.

The ads shown here, which appear in street cars, busses, elevateds, and subways, reveal that banks advertise a variety of services, such as personal loans, automobile financing, Christmas Clubs, F.H.A. loans, safe deposit box facilities and many others, not limiting themselves to any specific service because of the medium's apparent mass appeal.

Above, the East Side Savings Bank of Rochester, New York, right, the Central Bank of Oakland, California

Buying an Automobile?

Consult us or your dealer ABOUT OUR
FRIENDLY LOW COST FINANCE PLAN

Borrow the **CENTRAL BANK** *Way*

The scene has changed since 1865. But today the same sound banking standards are maintained at The Oldest National Bank in Indianapolis

← THE MERCHANTS BANK BUILDING STANDS ON THIS CORNER TODAY

Merchants National Bank
INDIANAPOLIS, INDIANA

INDIANAPOLIS, INDIANA
217 N. MARKET ST.
217 N. MARKET ST.

MASSACHUSETTS AVE.
215 MASSACHUSETTS AVE.

BRIGHTWOOD
2315 STATION ST.

Above, the Merchants National Bank of Indianapolis, Indiana, below, the Philadelphia Savings Fund Society of Philadelphia, Pennsylvania

For sending money use **REGISTER CHECKS**

No making account transfers

THIS STAMP IS YOUR RECORD

YOUR CHECK IN YOUR HANDWRITING

CENTRAL NATIONAL BANK
12 Convenient Offices
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

*Above, the Central National Bank of Cleveland, Ohio,
below, the Delaware County National Bank of Chester,
Pennsylvania*

LESS THAN ONE CENT A DAY RENTS
A LOSS-PROOF SAFE DEPOSIT BOX

LOST and FOUND

THE PHILADELPHIA SAVING FUND SOCIETY

150 N. 10TH ST., PHILADELPHIA, PA. 19107

STOP BEFORE YOU GO

To Finance the Purchase of Your Next Car
and Discover the \$Dollars\$ to be Saved
Under Our *No Co-Maker Plan*

VISIT, PHONE OR WRITE DEPARTMENT "G"

THE DELAWARE COUNTY NATIONAL BANK

406 MARKET STREET CHESTER
MEMBER FEDERAL DEPOSIT INSURANCE CORP. PHONE 4121

of Bank Services



Economical:

A loan of \$108, for example, payable in twelve monthly installments of \$9.00 each costs only \$6.48. Larger loans in proportion.



Let an Anglo Bank PERSONAL LOAN help you, too!

Above, the Anglo California National Bank of San Francisco

MOST PROBLEMS ARE MONEY PROBLEMS

Can a Wachovia Personal Loan Solve Yours?

**LOW COST
NO EXTRA FEES
Monthly Repayments**

WACHOVIA
BANK AND TRUST COMPANY

Above, the Wachovia Bank and Trust Company of Winston-Salem, North Carolina

...NOW YOU CAN PAY BY CHECK

The "Convenient Checking Account Service"

DESIGNED FOR EVERY PERSON WHO DOES NOT WISH TO MAINTAIN A FIXED BANK BALANCE

The Merchants National Bank and Trust Company of Syracuse
216 S. WARREN ST. MEMBER OF F.D.I.C.

Above, the Merchants National Bank and Trust Company of Syracuse, New York

LOANS

You are invited to discuss your credit requirements with us

Continental National Bank and Trust Company
SALT LAKE CITY, UTAH

Above, the Continental National Bank and Trust Company of Salt Lake City, Utah, below, the Omaha National Bank of Nebraska

Personal and AUTO LOANS
AT REASONABLE RATES THROUGH ...

QUICK ACTION!

The Commerce Loan Plan

CONFIDENTIAL ... NO RED TAPE ...

Commerce Trust Company

Above, the Commerce Trust Company of Kansas City, Missouri, below, the Crocker First National Bank of San Francisco

COMPLETE BANKING FACILITIES ARE AT YOUR SERVICE

The Omaha National Bank

BUILD

CROCKER FIRST NATIONAL BANK
of San Francisco

\$2,000,000,000 bank in New York
 \$200,000,000 bank in Milwaukee
 \$20,000,000 bank in Charleston
 \$2,000,000 bank in Vancouver
 \$200,000 bank in Wetumka

(Names on request)

*All have different problems, but...
 all have profited by adopting*

RECORDAK PHOTOGRAPHIC SYSTEM

ADHERENCE to sound operating policies calling for the greatest efficiency, accuracy, and safety in bookkeeping with a minimum of effort, time, and expense has proved no problem to these banks.

The Recordak Single Posting System has long since anticipated and gone beyond today's bank operating requirements of shorter weeks, higher production per bookkeeper, and improved working conditions that boost morale among employees.

They Welcome It

Photographic bookkeeping, the Recordak way, not only saves money for the bank—in time, in machines, in supplies, in storage space—but it is especially welcomed by employees themselves because the Recordak System is simpler, faster, more accurate, and takes the backbreaking production drudgery out of their working day.

And Recordak makes each bookkeeper more important and valuable in his job because it enables him to do more work, with fewer errors, in less time. 1,000 accounts, 700 items per day, is good average production for a bookkeeper under the

Recordak System and he can leave the bank at a correspondingly earlier hour. Peak loads are absorbed by the System itself instead of by the bookkeeper under penalty of late departure hours.

In Thousands of Banks

Recordak Photographic Single Posting is workable in any bank, large or small. Years of operation in thousands of banks have proved it to be the fastest, safest, most accurate, and by far the most economical bank bookkeeping method ever developed.

With dual protection, dual responsibility for correct posting, and with the incomparable safeguard of photographic records to authenticate each entry, the Recordak System provides for but one single posting to one set of records in one operation for each day's activity.

Admissible as Evidence

And the bank retains in tamper-proof, extraction-proof and substitution-proof security an exact photograph of every record returned to the depositor; picture records authentic to the last detail, and legally admissible as primary evidence, under a

recent decision of the Federal Circuit Court of Appeals.

No Capital Outlay

Your bank can install this finest bookkeeping system without capital outlay, with the background of successful precedent already set by thousands of leading banks throughout the country—and at savings which may reach as high as 45% net in per item handling costs. And the Recordak bank-trained installation staff will train your operators, install the system, keep it at highest efficiency and economy according to your own operating conditions.

A Nation-Wide Service

Meanwhile our facilities and experience are available to your investigation, at no obligation of course. Recordak Corporation (Subsidiary of Eastman Kodak Company), 350 Madison Avenue, New York, N. Y. Offices and laboratories at Atlanta, Boston, Chicago, Cleveland, Dallas, Denver, Houston, Los Angeles, Philadelphia, Pittsburgh, Portland (Ore.), San Francisco, and Washington. Film processing also at Jacksonville and Kansas City.



Bank Model Recordak. Rental \$25 per month. For speeding up the transit operations and for photographing paid checks for the protection of banks and depositors.



Reversible Recordak. Rental \$30 per month. Photographs both sides of checks and larger bank forms at a single operation—and does this at lightning speed.

OF SINGLE POSTING BOOKKEEPING



Recordak Junior. Rental \$12.50 per month. For smaller banks, and special departments of large banks (tellers' cages, safe deposit vaults, trust and filing departments, etc.).



Commercial Recordak. Rental \$30 per month. For photographing all bank forms. Widely used for the Recordak system of single posting and other specialized applications.

RECORDAK

PHOTOGRAPHIC ACCOUNTING SYSTEMS

"Chief Engineer" of the bank's complicated machinery ...the Chief Clerk

AS your customer stands at the teller's window, he may be vaguely conscious of men and women and machines at work within the bank. But it takes a bank man to appreciate fully the complex character of the bank's "internal machinery"—and the great responsibility that falls on its "chief engineer"... the bank's chief clerk.

The management can lift a heavy load from the shoulders of the chief clerk... can help him step up the efficiency of the departments under his direction—and so increase the efficiency of the bank as a whole... by installing Recordak Photographic Accounting Systems.

Recordak is speedy—makes as many as 140 photographs a minute... handling checks, deposit tickets, cash tickets, coupons, passbooks, bank forms up to legal size. (Picture what that amazing speed means to the chief clerk on a "peak" day.)

Recordak is sure and lightning fast... its records, being picture records, are complete and accurate.

Recordak helps the chief clerk immeasurably in settling complaints. If there is a question about a monthly statement, it's the work of a few seconds for him to produce an exact photograph of the check in question—to settle the matter quickly, conclusively, and without embarrassment.

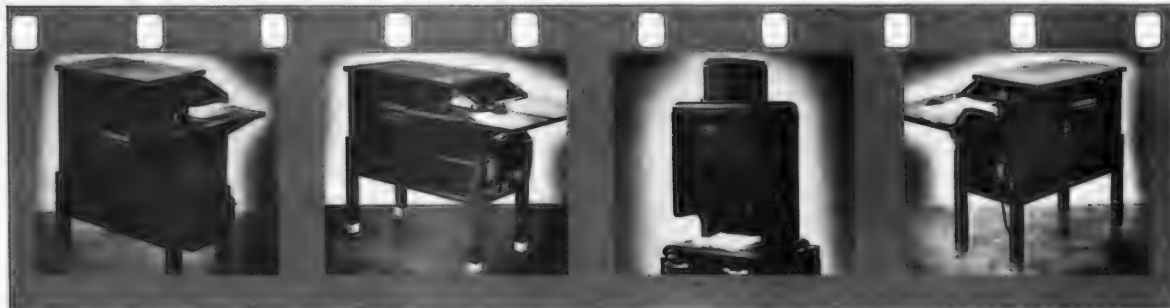
The chief clerk can count on Recordak for sav-



ings of up to 45% net on his per item costs, up to 50% on supplies, up to 90% on storage space.

And finally, Recordak records are not only accurate, they are tamper-proof, extraction-proof and substitution-proof.

Recordak Systems require no capital outlay; the machines are rented, not sold. Recordak Systems are serviced from twelve conveniently located offices... one close to your bank. For further information regarding Recordak, write Recordak Corporation, Subsidiary of Eastman Kodak Company, 350 Madison Avenue, New York, N. Y.



Bank Model Recordak. Rental \$25 per month. For speeding up the transit operations and for photographing paid checks for the protection of banks and depositors.

Reversible Recordak. Rental \$30 per month. Photographs both sides of checks and larger bank forms at a single operation—and does this at lightning speed.

Recordak Junior. Rental \$12.50 per month. For smaller banks, and special departments of large banks (tellers' cages, safe deposit vaults, trust and filing departments, etc.).

Commercial Recordak. Rental \$30 per month. For photographing all bank forms. Widely used for the Recordak system of single posting and other specialized applications.

RECORDAK PHOTOGRAPHIC ACCOUNTING SYSTEMS

Simplified Forms

Save Time and Money

THE sample payroll form reproduced below is taken from a bulletin of the Wage and Hour Division of the U. S. Department of Labor. This form, the bulletin states, "is submitted merely for explanatory purposes. Required records need not be made or preserved in any particular form so long as they are readily available and contain information from which the information required by Section 516.1 of the Regulations can be easily obtained. The sample form does not provide for recording such information as the worker's home address or date of birth of those under 19. This information will probably be recorded on a separate and permanent record form.

"It would be advisable for the employer, as a means of protection, to maintain, in addition to the payroll record, such basic records as those which are recorded by time clocks or time cards, or sheets which include the exact time of starting and stopping the workday and of the time of starting and stopping the meal period."

The letters in parentheses on the sample form refer to explanations in the bulletin. Briefly, these are:

(a)—It is important to have the full name of the worker as a means of personal identification.

DISCUSSION INVITED

The publication of this material each month is for the purpose of stimulating nationwide discussion on the vital question of simplified forms. The work is experimental and exploratory.

Checking account and general ledger forms were discussed in the January and February issues, respectively, and similar material will appear in subsequent issues.

(b)—This note does not appear on the form itself. The bulletin states in regard to it, however: "Home addresses should be secured from employees and recorded, and a reasonable effort should be made to keep them up to date."

(c)—This note does not appear on the form itself. It refers to the necessity of recording the employee's date of birth if it appears that the employee is under 19 years of age. "Where persons under 19 are employed, an employer should write 'minor' or its abbreviation on the payroll before the name of each such person employed."

(d)—This column heading is more or less self-explanatory.

This form, published by the Wage and Hour Division, U. S. Department of Labor, was prepared merely for explaining certain requirements of the law, as discussed above. No particular form is required, but certain information will be needed from time to time

SAMPLE PAYROLL FORM

Workweek ending _____

Date of Payment _____
(j)

Name	Hours of Work							Total Hours	Regular Rate of Pay (e)	Wages					
	S	M	T	W	T	F	S			Earnings		Deductions			
										At Reg. Rate of Pay for Total Hours Worked (f)	Extra for Overtime (g)	Total (h)	Soc. Sec. Taxes (h)	Other (Item- ized) (h)	Total Cash Wages Paid (i)
(a)								(d)		(f)	(g)		(h)	(h)	(i)
1. George Henry Harper	-	8	8	8	8	8	8	48	60¢ per hr.	\$28.80	\$1.20	\$30.00	\$.30	-	\$29.70
2. Alfred Olson	-	8	8	8	8	8	8	48	25¢ per hr. (2.00 per 8-hr. day)	12.00	.50	12.50	.13	-	12.37
3. John White	-	8	8	8	8	8	8	48	50¢ per hr. (20.00 per wk. of 40 hrs.)	24.00	1.00	25.00	.25	-	24.75
4. Martha Wilson	-	8	8	8	8	8	5	45	50¢ per hr. (22.00 per wk. of 44 hrs.)	22.50	.25	22.75	.23	-	22.52
5. Henry Hawkins	-	8	8	8	8	8	6	46	52¢ per hr. (100.00 per mo. on a wk. of 44 hrs.)	23.92	.52	24.44	.24	-	24.20
6. Mary Miller	-	8	8	8	8	8	8	48	25¢ per hr. (P.W.)	12.00	.50	12.50	.13	-	12.37
7. Helen Marks	-	8	8	8	8	8	-	40	(P.W.)	15.00	-	15.00	.15	-	14.85
8. Janet Barber	-	8	8	8	8	8	8	48	41¢ per hr. (P.W. plus bonus)	19.68	.82	20.50	.21	-	20.29
9. William J. Anderson	-	8	8	8	8	8	8	48	42¢ per hr. (40¢ per hr. & P.W.)	20.16	.84	21.00	.21	-	20.79

(g)—While (f) includes wages for overtime at the regular rate of pay, additional overtime compensation for this same

(j)—This part of the form is self-explanatory.

manent record, as suggested by the Federal Government. The use of the payroll record, however, is optional, and should be used only if the number of employees justifies it.

The small numbers which appear on the face of the individual earnings record are explained on the reverse side of the form:

"(1) For instance, '\$100.00 per month'. (2) Insert the regular hours on duty for each day of the week. For instance, 'Monday to Friday 8:00 to 12:00, 1:00 to 4:30; Saturday 8:00 to 12:30, 1:00 to 2:30'. (3) Enter only in the weeks when a weekly, semi-monthly or monthly pay period has passed (thus no entry in this column for certain weeks). (4) Enter the amount actually earned for the week, or the minimum amount to be paid the employee, whichever is greater. (5) This column is unnecessary where no cash overtime is paid in the week. Use this column where cash overtime is paid and there is not used the Constant

Wage Adjustment (permission to pay overtime by time and one-half off in another week within the same pay period); in such cases insert hand-lettered heading, 'Total Wages Earned before Any Deductions'. (6) By deductions is meant any part of the employee's pay check which the employer holds for other disposition. (7) F.I.C. refers to the new Federal Contributions Act, which is the taxing act for the formerly called Federal Old Age Retirement (see accompanying explanation). (8) For any bank having its own pension plan or for any other reason (than F.I.C.) withholding part of salary for other disposition. (9) Enter the date only in the weeks when a pay period has passed (thus no entry in this column for certain weeks). (10) Insert amount of taxable earnings (amount upon which assessment is payable) under the F.I.C., F.U.T. (new Federal Unemployment Compensation tax act)" and any similar state act.

A Simplified Payroll System

MASSACHUSETTS FORMS—In a memorandum, "Suggested Payroll System for Banks in Connection with the Social Security Act and Wage-Hour Act", a committee of the Massachusetts Bankers Association states that it endeavored to meet certain requirements which, it believed, would satisfy the majority of the association's member banks. These were that the records be in pen and ink, that they be confidential, and as few and simple as possible.

It is emphasized, in connection with these Massachusetts forms, which are reproduced here, that no attempt has been made to suggest a system for banks which prepare these records by machine, although they may find suggestions in these forms which can be adapted to their machine operations. Forms which the committee designed are an employee's history record card (not necessary for banks which maintain this information on their own type of form), an employee's combination payroll receipt and ledger card (to fit a manila envelope) and an employee's tax statement slip. Reproductions of these forms appear below and on the next page.

HISTORY RECORD CARD—This form requires no explanation. It is reproduced on page 52. The information provided for on this card is not all required by Federal law.

COMBINATION PAYROLL RECEIPT AND LEDGER CARD—This form (the back of which is partially reproduced below, while the face appears on the next page) is designed for a bank that pays twice monthly. The system is applicable to weekly and monthly pay periods. The card is folded in half (see cut on page 52) with the bank's name, employee's name, etc., appearing on its face. The other half of that side of the card provides space for a record of overtime earnings. It is intended that the folded card, together with cash, will be inserted in a manila envelope. This envelope is a special window type prepared purposely to eliminate the necessity of keeping envelopes in alphabetical order while the cards are removed when preparing the payroll. The inside of the card (partially reproduced below) covers the salary record of an employee for one year. The 13 numbered columns appearing on this side of the card are explained as follows:

SOCIAL SECURITY NUMBER												SIGNATURE OF	
19	HALF MO. END.	REGULAR SALARY	OVER-TIME		GROSS EARNINGS				DEDUCTIONS			NET AMOUNT DUE	NET AMOUNT RECEIVED BY ME
									SALARY ADVANCES	F.I.C.	TOTAL		
	1-15												
	1-31												
	2-15												
	2-29												
	3-15												
	3-31												
TOTAL 1ST Q.													XX XX XX XX XX XX XX
TOTAL 3RD Q.													XX XX XX XX XX XX XX
	10-15												
	10-31												
	11-15												
	11-30												
	12-15												
	12-31												
TOTAL 4TH Q.													
TOTAL ANNUAL													

WRITTEN STATEMENT FOR THIS YEAR
RECEIVED _____ SHOWING
MY TAXABLE WAGES AND THE AMOUNT
OF TAX IMPOSED.

Column 2—In this column is entered the employee's regular salary for the period—in the case of this card, $\frac{1}{24}$ of the annual salary. Salary changes should, of course, be made on the history record card as well as on the last page of the payroll record card.

Column 4—In this column are to be recorded earnings of a special nature which are subject to Social Security taxes—bonuses, money prizes in new business contests, etc.

Column 5—Total of columns 2, 3 and 4.

Columns 6, 7 and 8—These columns are left open for individual banks to use in making such deductions as those for hospitalization plans, group life insurance, community chest, etc.

Column 9—When an employee obtains a portion of his salary in advance, a receipt should be obtained from him, and it should then be returned to him with his payroll card on the next regular payday.

Column 10—In this column should be entered the amount of the tax which a bank is required to deduct from an employee's salary starting January 1, 1940, under the Federal Insurance Contributions requirements. For the current year this is 1 per cent of the first \$3,000 of annual salary paid to an employee.

Column 11—Total of columns 6 to 10, inclusive.

Column 12—The difference between columns 5 and 11.

Column 13—The employee signs in this column each time he receives his pay.

At the end of the pay period, all the payroll receipt cards are filled out and filed in alphabetical order. The necessary columnar totals are taken and proved. At this point, the association suggests two possible methods of paying off.

"If the bank desires to keep its payroll as confidential as possible," states the memorandum, "the paying officer must prepare the payroll, obtain the payroll money and insert in each employee's pay envelope the 'net amount due', and receipts for salary advances and the payroll receipt card.

"If a bank is willing to permit its head paying teller to have knowledge of its payroll, time spent by a paying officer can be decreased. This can be accomplished by having the paying officer deliver to each employee only his payroll receipt card. The employee signs his card, presents it to the head paying teller and

[illegible]

The history record card, front and back, designed by the Massachusetts Bankers Association. Actual size is 8" x 5". The prices for quantity orders are shown on this "sample". The headings concealed by the prices are "Date Becomes 65", "Boards", "Lives with Parents", "Date Employment Terminated"

NAME OF EMPLOYEE _____ SOCIAL SECURITY No. _____
(NOTE: MARRIED WOMEN GIVE MAIDEN NAME AND HUSBAND'S LAST NAME)
ADDRESS _____ TELEPHONE No. _____

DATE OF BIRTH _____ DATE BECAME _____ WHERE BORN _____
CITY _____ NATIONALITY _____ RESIDED IN STATE SINCE _____
FATHER'S NAME _____ BUSINESS _____
MOTHER'S MAIDEN NAME _____
SINGLE _____ MARRIED _____ LIVES WITH _____ KEEPS HOUSE _____ NUMBER OF DEPENDENTS _____
RELIGIOUS PREFERENCE _____
EDUCATION _____

DATE EMPLOYED _____ DATE EMPLOYMENT TERMINATED _____
REASON EMPLOYMENT TERMINATED _____

65a. 40

[illegible]

Outside of the payroll receipt and ledger card.
Actual size, 8" x 9"

receives his money, together with salary advance receipts, if any. Later the same day, the head paying teller delivers the receipted payroll cards to the paying officer and receives from him a debit ticket to the salary account."

TAX STATEMENT SLIP—This form is reproduced on page 53. The reason for its use can best be understood by reference to the law itself, Section 1403 (a), headed "Receipts for Employees". It should be noted that a penalty is provided for failure to furnish employees with some form of "written statement".

SOCIAL SECURITY TAX STATEMENT
(TO BE RETAINED BY EMPLOYEE)

EMPLOYER _____

EMPLOYEE _____

SOCIAL SECURITY No. _____

DATE STATEMENT ISSUED _____

SALARY PERIOD	GROSS EARNINGS	F. I. C. TAXABLE EARNINGS	F. I. C. TAX	REDUCTIONS
YEAR				
JAN. 1, 19__				
TO _____ INCL				
FINAL PAYMENT				

50 Sheets \$.75
100 " 1.00
200 " 1.20
300 " 1.35
400 " 1.50
500 " 1.60
1000 " 2.00
2000 " 3.00
3000 " 4.60
4000 " 5.90

WEEKLY TIME CARD

EMPLOYEE	WEEK ENDING						TOTAL	
	A. M.		P. M.		OTHER		HOURLS	MIN'S
	IN	OUT	IN	OUT	IN	OUT		
SUN.								
MON.								
TUE.								
WED.								
THUR.								
FRI.								
SAT.								

CERTIFIED CORRECT: _____ EMPLOYEE _____ CHECKED: _____

MADE IN U.S.A. PRINTED IN U.S.A.

NAME OF EMPLOYER

NOTICE TO EMPLOYEE

You should keep this receipt as it may be helpful to you or your survivors in connection with claim for Federal old age & survivors insurance benefits.

It will be helpful also in preparing your income tax returns.

"Wages Paid" are construed under Social Security Regulations to be taxable wages earned in payroll periods ending within period shown. Wages are taxable up to maximum of \$3,000.00 per calendar year.

EMPLOYEE'S RECEIPT

(As required by Social Security Act, Aug. 10, 1939)

Name and
Social
Security
Acct. No.

This is to Certify

That Employee's Tax in the amount of \$

Has been withheld from "Wages Paid" of \$

Within the period from to

"Total Wages Paid" for the period
(If different from above) were \$

Top Left, Social Security tax statement designed by the Massachusetts Bankers Association, showing the price scale. Actual size, 5" x 3 1/4"

Top Right, weekly time card suggested by the Kansas Bankers Association. Actual size, 6" x 4"

Above, a form of "employee's receipt" answering the requirements of Section 1403 of the Social Security law. A form similar to this has been adopted for use by the American Bankers Association in its headquarters offices

Right, a wage-hour record form suggested by Don E. Warrick, secretary of the Indiana Bankers Association. Mr. Warrick discussed some phases of wage-hour procedure in December BANKING

WORK-HOURS RECORD

						Department
		Began	Quit	Hours Worked	Lunch Period	
Mon.	19...	AM	PM		Hr.	
Tues.	19...	AM	PM		Hr.	
Wed.	19...	AM	PM		Hr.	
Thurs.	19...	AM	PM		Hr.	
Fri.	19...	AM	PM		Hr.	
Sat.	19...	AM	PM		Hr.	
TOTAL...						

Absences:

Name	Dates & Hours	Reason

Each individual employee of said department(s) hereby certifies that the above work-hours record is correct as to his own individual time included therein, with the exceptions only as noted.

Certified correct as to the work-hours record of the department(s):

Department Head

Department Head

The forms reproduced on this page are used by a southern bank. So far they are still in an experimental stage. The one at the right is the weekly record of an employee's work hours. This form replaced time clocks in the bank that uses it. Actual size, 7" x 4"

NAME:									
Week Beginning:	Time Due To Arrive or Thereafter	Lunch		Supper (Or Other)		Finished Work	Daily Time	Accumulated Time	
		Out	In	Out	In			Hours	Minutes
Monday									
Tuesday									
Wednesday									
Thursday									
Friday									
Saturday									
Sunday									
Employee's Signature:								TOTAL FOR WEEK	

Right, employee's statement, which it is intended to issue once a year, or at any time to an employee leaving the bank. Actual size, 5" x 3"

DATE _____	
EMPLOYER: _____	
EMPLOYEE: _____	
PERIOD COVERED: CALENDAR YEAR	OR
TAXABLE WAGES PAID IN ABOVE PERIOD	\$
FEDERAL SOCIAL SECURITY TAX @ RATE	\$
THIS STATEMENT IS RENDERED IN COMPLIANCE WITH THE SOCIAL SECURITY ACT, AND SHOULD BE RETAINED BY YOU AS A PERMANENT RECORD.	

Below, the permanent payroll record, which covers a full year and can be used for both weekly and semi-monthly salaries. It also provides quarterly totals. Actual size, 10 3/4" x 7"

SS NO: _____ NAME _____										SALARY	
ADDRESS: _____ EMPLOYED IN STATE OF: _____										\$	
1940 ENTERED SERVICE: _____ DATE OF BIRTH: _____										- RAISES -	
WEEK	S/M	WAGES	TAXABLE	TAX	WEEK	S/M	WAGES	TAXABLE	TAX	DATE	AMOUNT
JAN. 6					JULY 6						
13 15					13 15						
20					20						
27 31					27 31						
FEB. 3					AUG. 3						
10 15					10						
17					17 15						
24 28					24						
MAR. 2					31 31						
9					SEPT. 7						
16 15					14 15						
23					21						
30 31					28 30						
Q. TOTAL					Q. TOTAL						
APR. 6					OCT. 5						
13 15					12 15						
20					19						
27 30					26 31						
MAY 4					NOV. 2						
11 15					9						
18					16 15						
25					23						
(1) 31 31					30 30						
JUNE 8					DEC. 7						
15 15					14 15						
22					21						
29 30					28 31						
Q. TOTAL					Q. TOTAL						
S-A. TOTAL					S-A. TOTAL						
					ANNUAL TOTAL						

Federal Tax Matters

Fiduciary Held to Receive Taxable Gain

IN a late decision, the U. S. Board of Tax Appeals holds that a testamentary trustee realized taxable gain approximating \$600,000 by the mere delivery of securities aggregating \$5,000,000 in value, which had appreciated since acquirement. (Kenan et al., Trustee under the Bingham will, 40 BTA 823.)

The decision is far-reaching in its scope and, if upheld by the higher U. S. courts, will apply with equal force to corporate trustees.

The testator, Mary Lily Bingham, who died in 1917, left a will whereby the residuary estate was placed in trust. The will provided that the trustee should deliver to a beneficiary, when the age of 40 was reached, the sum of \$5,000,000. The will further provided that the trustee should have the privilege of substituting "for the payment in money, payment in marketable securities of a value equal to the sum to be paid, the selection of the securities to be substituted in any instance, and the valuation of such securities to be done by the trustees and their selection and valuation to be final."

The beneficiary became the required age in June 1935. Acting under authority of the will, the trustees decided to deliver cash and securities in payment of the \$5,000,000 bequest. Part of the securities had come to the trust from the estate of the decedent, while others had been purchased by the trustees. The securities thus delivered had increased in value to the extent of \$600,000 since acquirement by the trust.

The Board held that the trustee realized a taxable gain under Section 111 of the Revenue Act of 1934 and accordingly asserted a deficiency in income tax against the trust.

The Board followed *Suisman vs. Eaton* 83 Fed. (2d) 1019. Certiorari was denied twice in the *Suisman* case by the U. S. Supreme Court, 299 U. S. 573, rehearing denied 299 U. S. 621.

There were two dissents from the majority opinion of the Board, that of Messrs. Leach and Turner, who agreed that the petitioners "realized" no profit under the terms of Section 111. A concurring opinion by Sternhagen stated in part: "... I cannot refrain from expressing a doubt of the soundness of treating the distribution by a trustee at the appointed time as being a 'sale or other distribution' of the distributed assets in consideration for value consisting of the discharge of his duty to distribute."

Undoubtedly the case will be appealed.

Social Security Act Rulings

PRIOR to 1940 and dating back to the beginning of 1936, all state chartered banking institutions, not members of the Federal Reserve System, were subject to the Social Security Act—the unemployment tax provisions only if there were eight or more employees.

It is the 1939 amendments to the Federal law and rulings issued under the former Act—fully effective under the amended statute—that now have a direct application to all banks, with which we are chiefly concerned here. The tax

levying provisions of the amended law still recognize the exemption of Federal instrumentalities, but the definition of the term "instrumentalities of the United States" has been restricted to such an extent that national banks, or other members of the Federal Reserve System, are no longer excluded from the law.

Rules that have been laid down under the law from 1936 on now have full application to national banks that are just coming under the terms of the statute.

FEDERAL UNEMPLOYMENT ACT. The managing officers of all banks, or other corporate employers should, without delay, make certain whether, by including inactive or honorary officers with the list of active workers, a total of eight employees is reached. All corporations are required to have a president, vice-president and other officers. Even though these officers are inactive and receive no compensation, they must be included in determining, under the Federal law at least, whether the concern has eight employees. (SST 19 XV-2 Cumulative Bulletin 399.)

OLD AGE BENEFIT TAX. As to the Insurance Contributions Act—old age pensions—there are no exemptions permitted employees of banks. For the first three years of the operation of the law employees above 65 years of age were exempt. Under the new amendments, effective as to employees of national banks or other members of the Federal Reserve System from January 1, 1940, all workers above or below 65 years are subject to the tax. This amendment was made retroactively effective to January 1, 1939, for all employees of other banks and of other employers. During 1940 and thereafter, on each pay day, the old age benefit tax is to be deducted and withheld by the employer on salaries up to \$3,000 per annum, regardless of the age of the employee. Officers of banks are here included in the term "employees". It accomplishes nothing to be a "conscientious objector" to the plan, for if the officer or employee fails or refuses to apply to the Social Security Board for the requisite account number, then it becomes the duty of the employer to file such application and obtain the number.

ATTORNEYS' AND DIRECTORS' FEES. Fees paid to attorneys who are regularly engaged in the practice of their profession, serving the public, are exempt from both the unemployment and old age benefit taxes by reason of being independent contractors.

Fees paid to directors for attendance at meetings of the board are likewise exempt. When directors receive compensation for performing other services for the bank, such as acting on audit or appraisal committees, they thus become employees and such compensation is subject to both types of taxes under the Federal Social Security Act. (SST 882 1937-1 Cumulative Bulletin 372.)

RECORDS REQUIRED. The type of records to be kept by banks or other employers under the Federal act or for state unemployment tax purposes are not prescribed, except that they shall be complete enough that the required tax returns may be prepared correctly therefrom and that such records shall be permanently maintained. All records are subject to inspection by supervising authorities. [See page 49.]

THEODORE S. CADY

Hanes Fact-Finding Program Gets Under Way

Banker Meetings Set for 2 Cities

A.B.A. Regionals In New York, Denver

Bankers from many states meet in two cities this month at regional conferences arranged by President Robert M. Hanes of the American Bankers Association.

In New York, Mar. 6-8, and in Denver, Mar. 21-22, Mr. Hanes presents well-rounded, practical programs built around the theme "Banking's Part in Business Development." Round table discussions will be stressed at each.

The New York conference, which was outlined in February **BANKING**, covers commercial and savings banking, and offers a comprehensive survey of practical problems in both divisions. The Denver program, published in detail last month, includes a public meeting.

Following is the list of speakers and topics for the New York meetings:

March 6. 10 A.M. General session. "Know Your Bank", R. R. McElvare, executive vice-president, Bank for Savings, New York; "Banking's Part in Business Development", Claude E. Bennett, president, Pennsylvania Bankers Association, and president, Tioga County Savings and Trust Co., Wellsboro, Pa.; "Educational Display of Bank Service and Equipment", William T. Wilson, director, A.B.A. Research Council.

2 P.M. Round table on commercial banks' credit problems. Panel discussion of "Amortized Term Loans to Industry", Daniel H. Blizzard, assistant cashier, Philadelphia National Bank; Glenn K. Morris, vice-president, National Bank of Germantown & Trust Co., Germantown, Pa.; Girard B. Ruddick, Smith, Barney & Co., New York. Panel discussion, "Personal and Instalment Loans", Walter B. French, A.B.A. Deputy Manager:

(Continued on page 58)

Public Relations Skit

A dramatization of bank public relations, first given before the Illinois Bankers Association in January, has been adapted for presentation at the New York and Denver A.B.A. conferences. The skit, "John Sterling Finds the Answer", is acted by members of the American Institute of Banking Section. William T. Wilson is in charge of the details of dramatization.

A.B.A. To Repeat Lending Survey

Second Study Covers Last Half of '39

The American Bankers Association is to make another bank lending activity survey, this time covering the period between July 1 and Dec. 31, 1939, it has been announced by President Robert M. Hanes.

A new questionnaire has been sent to all A.B.A. member banks and Mr. Hanes expressed the hope that all the banks would respond to it.

The survey for the first six months of 1939 brought replies from 6,078 banks, or 41.5 per cent of all of the commercial banks. It disclosed 11,609,733 actual credit extensions made by the 6,078 banks aggregating \$18,153,534,633.

"All bank loan figures heretofore published were of a static nature," Mr. Hanes said, "simply showing the outstanding dollar volume on a single date. The A.B.A. survey was designed to give a picture of actual bank lending activity. It has done a great deal to overcome the popular notion that banks are not lending. It is important that this educational activity be continued."

The survey will be made by the Research Council which conducted the first study. Results of the latter have been published in pamphlet form.

A.B.A. Seeks to Give Practical Aid To Country's Chartered Banking System

The American Bankers Association program of education and study, drafted by President Robert M. Hanes, is being rapidly organized along lines that will provide practical service to the country's chartered banking system.

President Hanes, reporting to the recent Mid-Winter Trust Conference in New York, outlined the scope and purposes of the program, and spoke of the new staff members who are to direct

the work under the supervision of Dr. Harold Stonier, A.B.A. Executive Manager.

Their studies and findings will be widely circulated among bankers. Also, it is planned to present the results of their activities directly to the country's bankers through the medium of state conferences and smaller group meetings, in much the same manner as Gilbert T. Stephenson, Director of Trust Research, The Graduate School of Banking, conducts his trust work.

Staff men will meet with bankers assembled at a convenient center, from a radius of 50 to 75 miles, and in these informal gatherings the problems of banks will be discussed and solutions sought with the aid of information developed by the A.B.A.

It is felt that this program will be extremely helpful and that it will greatly augment the practical efficiency and value of the chartered banking system.

Four of the new staff members speak at the New York regional conference this month: Deputy Managers Walter B. French and A. G. Brown, in charge, respectively, of the Consumer Credit and Agricultural Credit divisions; Dr. Ernest M. Fisher, Director of Research in Mortgage and Real Estate Financing; and Dr. Paul F. Cadman, A.B.A. Economist.

sonnel relations at the School.

For several years the Association has had an active program of bank employee training in customer relations. However, many banks have asked for more direct assistance, and Mr. Powers will carry this work forward in the field.

William Powers Joins A.B.A. Staff

Named Director of Customer Relations

Appointment of William Powers, assistant cashier and manager of personnel and training of the National Bank of Detroit, to the post of Director of Customer Relations of the American Bankers Association, was announced by President Hanes last month.



William Powers

Mr. Powers has been in the banking business since 1915 when he joined the former Peoples State Bank of Detroit. In 1934 he became associated with the National Bank of Detroit. In January 1937 he was elected an assistant cashier of that institution, in which he is also manager of personnel and training. Mr. Powers has been an instructor in the Detroit Chapter of the A.I.B. Section since 1929.

Mr. Powers was graduated from The Graduate School of Banking in the class of 1937 and during the past two years has been an instructor in per-

Burroughs

NEW LOW-PRICED PASSBOOK AND LEDGER POSTING MACHINE



Here's What Bankers Have To Say About This New Window-Plan Machine

"We've always wanted to give our customers a printed passbook; now we can do it, owing to the low price of this new Burroughs."

"It's a real advantage to have at each teller's window a machine that does double duty as a window machine and an adding machine."

"We like its compactness. It takes up so little room—right at the teller's elbow for quick posting."

"Fits our needs perfectly. And it does such neat work."

"What bank wouldn't want a window-plan machine that does so much and costs so little."

Savings, small loans, Christmas Club, school savings, mortgage loans—any type of passbook posting job can be handled quickly and easily on this new low-priced Burroughs window-plan machine.

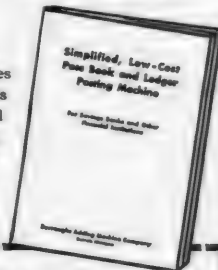
The machine is so flexible that it meets all requirements regardless of the procedure desired, and its extremely low price makes it possible to equip each teller with a machine regardless of fluctuating volume.

Another important advantage is that during slack periods at the window, the machine can be used as a fast, practical adding machine for all types of miscellaneous figure work.

For complete information, get in touch with your local Burroughs representative, or mail the coupon.

SEND FOR THIS NEW FOLDER!

It shows and describes several applications of this new Burroughs to Dual and Unit Plan posting; gives full description of the machine, and its many advantages.



BURROUGHS ADDING MACHINE COMPANY
6303 Second Blvd., Detroit, Mich.
Please send me your folder describing the new
Burroughs Passbook and Ledger Posting
Machine.

Name _____
Title _____
Address _____



New York, March 6-8 FAIRCHILD AERIAL SURVEYS



Denver, March 21-22 CUSHING

Banker Meetings in Two Cities

(Continued from page 56)

George T. Spettigue, Jr., secretary, Bankers Association for Consumer Credit, Pittsburgh; A. J. Guffanti, vice-president, Springfield (Mass.) National Bank.

2 P.M. Round table on savings banking problems: "The Public Changes Its Attitude About Spending", Frank P. Bennett, Jr., editor, *United States Investor*, Boston; panel discussion, "Savings Deposit Control", Leslie R. Rounds, vice-president, Federal Reserve Bank of New York; Neil D. Callanan, assistant secretary, Manufacturers and Traders Trust Co., Buffalo; Donaldson Cresswell, vice-president, Philadelphia Saving Fund Society; W. J. Waller, vice-president and cashier, Hamilton National Bank, Washington, D.C.

"John Sterling"

8:15 P.M. "Public Relations and Banking Education." A skit "John Sterling Finds the Answer", presented by New York Chapter, American Institute of Banking Section, with Frank M. Totton, second vice-president, Chase National Bank, as master of ceremonies.

March 7. 10 A.M. General Session, "Steps in Investment Procedure for Commercial Banks", C. E. Huntley, bond analyst, Elmira, N. Y.; panel discussion of savings banks' investments, Fred F. Lawrence, president, National Association of Mutual Savings Banks, treasurer, Maine Savings Bank, Portland; R. A. Holton, comptroller, East New York Savings Bank, Brooklyn; J. R. Morss, vice-president,

Boston Five Cents Savings Bank; T. L. Nims, assistant treasurer, Stamford (Conn.) Savings Bank; "Savings, an Educational Force", Dr. J. W. Studebaker, U. S. Commissioner of Education.

2 P.M. Round table on operating problems of commercial banks. "Elimination of Frozen Assets-Real Estate", William J. Martin, president, Granite Trust Co., Quincy, Mass.; "Productive Work Planning", E. S. Woolley, George S. May Co., New York; "Better Earnings and Greater Efficiency Through Simplification of Bank Operating Forms", L. W. Bishop, cashier, State-Planters Bank & Trust Co., Richmond, Va.

Round table on savings bank real estate mortgages. "The Construction Industry", Thomas S. Holden, vice-president, F. W. Dodge Corp., panel discussion, "Real Estate Mortgages", Dr. Ernest M. Fisher, director of research in mortgage and real estate finance, A.B.A.; Alfred H. Hastings, Springfield (Mass.) Institution for Savings; William M. Hotchkiss, vice-president, Realty Factors of America; Graham Nash, comptroller, Bloomfield (N. J.) Savings Institution.

Economics Round Table

8 P.M. Economics round table. Panel discussion, "Prerequisites for Recovery", by the staff of the economics department, The Graduate School of Banking; William A. Irwin, Willard E. Atkins, Montfort Jones, and A. Anton Friedrich.

Milton Barlow Joins 1st Trust Co., Lincoln

Milton F. Barlow, former President of the American Institute of Banking Section, American Bankers Association, joined the staff of the First Trust Company of Lincoln, Neb., on Mar. 1. He had previously been cashier of the National Citizens Bank of Mankato, Minn.

Mr. Barlow, a native of Omaha, got his early banking training in that city with the United States National Bank where he started as messenger. A graduate of Yale University, he studied at the night law school of Omaha Municipal University and was admitted to the practice of law in 1931.

March 8. 10 A.M. Round table on new services of commercial banks. "Services and Earnings of Country Banks", A. G. Brown, Deputy Manager, A.B.A.; "Meeting Bank Competition", Merrill Anderson, president, Merrill Anderson Co., New York; "Collateral Loans on Life Insurance", Robert C. Tait, assistant trust officer, Genesee Valley Trust Co., Rochester, N. Y.

Round table on new services of savings banks. "Savings Programs with a Life Insurance Feature", Roger Hull, general counsel, National Association of Life Underwriters; "Outlook for the New Decade", Henry Bruere, president, Bowers Savings Bank, New York.

12:15 P.M. Luncheon, President Hanes presiding. "Legislative Outlook", A. L. M. Wiggins, chairman, A.B.A. Committee on Federal Legisla-

National Banks' Earnings Reported

Members of the National Bank Division, A.B.A., have received from the Division President, Melvin Rouff, the 13th annual compilation of earnings and expenses of national banks, published by the Division.

It shows that the nationals had a slight increase in net additions to profits in the year ended June 30 last by reason of security sales.

The percentage of gross income added to profits was 26.9 per cent against 24.5 per cent for the previous year. The amount was \$16,500,000.

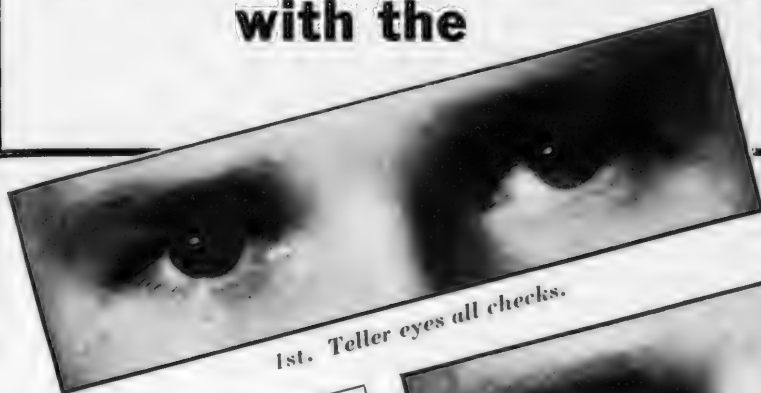
Mr. Rouff says: "The slight improvement noted in the gross rate earned on loans and discounts a year earlier continued, though it amounted to only one-tenth of 1 per cent which carried the rate up to 4.5 per cent, the same as in 1936. The gross rate earned on investments, however, showed a decline of $\frac{1}{10}$ of 1 per cent."

tion, president, Bank of Harts-ville, S. C.; address, Dr. Paul F. Cadman, A.B.A. economist.

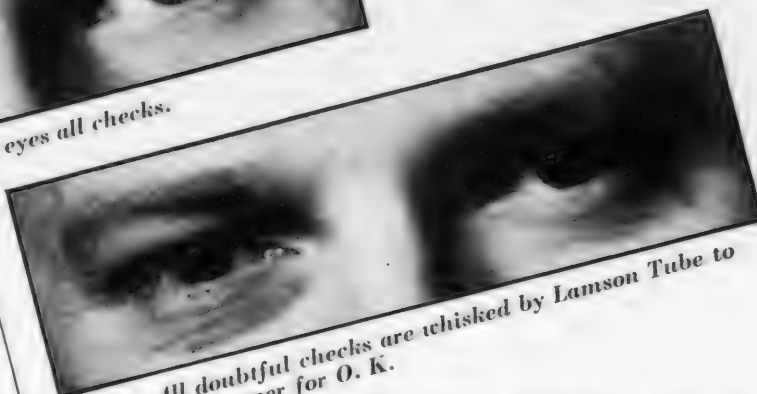
2:30 P.M. School Savings forum. "Problems of the School Savings Director", Frank Wartur, vice-chairman, committee on school savings, A.B.A., Yonkers Savings Bank; "Operation of a School and Industrial Savings Department", John W. Swenson, Howard Savings Institution, Newark, N. J.; "Plan for Determining Cost", J. R. Dunkerley, assistant secretary, A.B.A. Savings Division; "Thrift and National Welfare", Prof. H. F. Clark, Columbia University.

Protect Your Tellers with the

"4 Eye Check"



1st. Teller eyes all checks.



2nd. All doubtful checks are whisked by Lamson Tube to Bookkeeper for O. K.



Use
LAMSON TUBES
between Tellers and
Bookkeepers for

1. Positive protection on doubtful checks.
2. Certification of checks.
3. Securing customers' balances.
4. Notifying bookkeepers of special deposits, etc.

FACTORIES & BUSINESS OFFICES

Save Money, too, with



Lamson Tubes carry messages to any point in office or factory.



Pneumatic Tube Central Station in large public utility.

LAMSON DISPATCH TUBES

Wherever there are numerous orders, memos, telegrams, small parts and tools, or other similar material which must be shuttled about the office or factory quickly—Lamson Dispatch Tubes will save money over messenger staffs. This mechanical messenger doesn't stop along the way to talk or "sneak out for a smoke."



LAMSON PNEUMATIC DISPATCH TUBES

Put your Bookkeeper at your Teller's Elbow

The Lamson Company, Inc.
Syracuse, N. Y.

Without obligation send complete information on Lamson Dispatch Tubes for use as follows:

Name.....Title.....

Company.....

Address.....

City.....State.....

Four Added to G.S.B. Faculty

1940 Session at Rutgers June 17-29

Four faculty members have been added to the teaching staff of The Graduate School of Banking for its 1940 session, it is announced by Dr. Harold Stonier, Director of The Graduate School and Executive Manager of the American Bankers Association. The School is conducted by the Association at Rutgers University.

The new men are: R. S. Alexander, assistant professor of marketing, School of Business, Columbia University, who has been added to the economics faculty; Irvin Bussing, director of research, Savings Banks Trust Company and Savings Banks Association of the State of New York, who will lecture in the savings banking course; J. Harvie Wilkinson, Jr., vice-president, State-Planters Bank and Trust Company, Richmond, Va., who is joining the investments staff; and Arthur F. Young, vice-president and trust officer, The National City Bank, Cleveland, O., who will lecture on the investment aspects of trust work as a member of the trusts faculty.

This year's resident session at Rutgers will be held from June 17 to June 29. Admissions to the Class of 1942, which begins its School work this year, will be limited to the first 200 applicants who meet the entrance requirements.

The work of the School covers a broad range of practical subjects in commercial banking, investments, trusts, savings banking, economics, business law, and related fields. Three years of attendance at the resident sessions and two years of extension work are required for graduation.

Stephenson Writes New Trust Book

"Trust Business in Common Law Countries" is the title of a new book by Gilbert T. Stephenson, Director of the Trust Research Department, The Graduate School of Banking. It is published by the Research Council of the American Bankers Association at \$4.

A.B.A. Membership Grows

The American Bankers Association received 347 new members from Sept. 1 to Jan. 31 last, bringing the total to 13,896 banks including branches. Minnesota had the largest state gain, 43 members. Illinois and New Jersey had 30 and 26, respectively, Tennessee 24, Indiana 21, New York 18 and Maryland and Iowa 16 each.

The percentage of banks holding membership in relation to the number of institutions in the country is now at an all-time peak.

Dollars and Cents Insurance Forum

On all matters relating to a bank's fidelity and other insurance, one of the best informed men in the country is James E. Baum, Manager of the A.B.A. Protective Department.

This fact was impressively demonstrated in Albany on February 8 when a group of bankers in that vicinity met together for an A.B.A. forum on insurance. It was not the first gathering of this kind—forums on insurance have been held in connection with several of the regional conferences—but the Albany meeting had one unusual aspect.

It was the first of a series, and part of President Hanes' active and fast-moving plan to carry the benefits of the Association directly to the members and to see that every bank gets its full membership dividends.

At Albany, in the DeWitt Clinton Hotel, there was a session in the morning and another after lunch. About 40 men were there and the utmost informality prevailed. J. Raymond Roos, vice-president of the National Commercial Bank & Trust Company of Albany, acted as chairman and introduced Mr. Baum and his assistant, George Hottendorf.

After some general comment on the money-saving and loss-prevention possibilities of proper coverage, Mr. Baum turned the meeting over to questions. Everyone at the forum was thus given a chance to consult directly with the Association's authorities on insurance, an opportunity that could obviously be turned into dollars and cents.

The information developed at the meeting was extremely practical and factful.

President Robert M. Hanes of the A.B.A. and President Roland E. Clark of the Trust Division at the Mid-Winter Trust Conference in New York



Reports Public's Views on Trusts Investment Ability of Officers Liked

A survey of public opinion regarding the trust business reveals that by far the majority of the people interviewed have high regard for the investment managing ability of trust officers, Elmo Roper, economic analyst who conducted the survey, reported to the Mid-Winter Trust Conference of the American Bankers Association.

The survey also reveals public knowledge that trust institutions are interested in caring for small estates, Mr. Roper said.

"Ninety-five per cent of the people interviewed said that the investment ability of trust institution officers is better than of the average wife and mother; 76 per cent said it was better than that of the average lawyer, and 67 per cent of the lawyers themselves who were interviewed agreed with that statement," Mr. Roper declared. "Seventy-one per cent regarded it as being better than that of the average businessman," he added.

"In conducting the survey, we had expected to find a general feeling that trust institutions were 'high hat' about the size of the estate they would handle, and a general feeling that they ought to be interested in much smaller estates. This is not borne out by the survey. In fact, trust institutions generally are credited with a willingness to handle estates which are smaller than the person interviewed would be willing to put in trust.

"Twenty-nine per cent of the people interviewed, excluding the attorneys, are now or have been the beneficiaries of trusts, and two-thirds of these people expressed themselves as satisfied that the amount of income they derive from their trusts is all that ought to be expected.

"Only 25 per cent believed that the fee charged by the trustee was high, while 60 per cent called it either low or reasonable, with the balance expressing no opinion.

"Almost everyone expressed himself as being in favor of the principle of making wills."

United States Treasury
Washington D.C.

Feb. 15, 1940

Gentlemen,

Please send me
1000 sheets of the
same paper used
in making \$20 bills.

Yours Truly,
Geo. Spehrin

NO ONE can buy it!

The check counterfeiter has no more chance of getting blank Protod-Greenbac paper, for making spurious drafts, than he has of getting the special paper the Government uses for printing its currency. That is the first barrier protecting users of Protod-Greenbac drafts from loss.

To make this protection certain, bonded Todd employees work behind locked doors...unauthorized persons are barred...strict regulations, like those of the United States Bureau of Engraving and Printing, are in force. Finished drafts and checks are

shipped to accredited customers only. No gang of crooks representing themselves as bona fide purchasers can purchase Greenbac drafts to victimize a legitimate user.

But that's not all. When your bank uses Greenbac drafts it is secure from losses caused by alteration, because if a crook gets possession of a regularly-issued Protod-Greenbac draft it will automatically cancel itself when he attempts to alter it by erasure or the use of ink eradicator.

To complete these barriers insurance guarantees the effec-

tiveness of the safeguards that protect your bank when it issues Protod-Greenbac drafts.

Write for canceled specimens or ask our representative in your locality to demonstrate the exclusive, insured safety features of Protod-Greenbac Drafts.

Todd
COMPANY, INC.



OFFICES IN ALL PRINCIPAL CITIES

ROCHESTER

NEW YORK

L. F. Scarboro Dies In Colorado

Lewis F. Scarboro, 1st Vice-president of the State Secretaries Section, A.B.A., and secretary of the Colorado Bankers Association since 1925, died Jan. 31.

Mr. Scarboro, publisher of the *Mountain States Banker* for nearly 21 years, saw the Colorado association establish a record of 13 consecutive years of 100 per cent membership.

His son, James C. Scarboro, succeeds him as secretary-treasurer of the Association.

Blanket Bond Pamphlet

"How Much Blanket Bond Insurance?" is the title of a pamphlet prepared by the Insurance and Protective Committee of the American Bankers Association.

A.I.B. Surveys Ways To Help Chapters

National officers of the American Institute of Banking Section of the American Bankers Association are studying the results of a survey of ways whereby the national organization can help the chapters increase their memberships and enrollments.

Three methods were used in making this survey. The first was a post card questionnaire to the present chapter presidents and to those of two years ago; the second was through the medium of personal interviews with chapter officers and senior bank officers in the East, the Middle West, and parts of the South; and the final approach was through personal letters to senior bank officers in various cities. In this way a cross section of opinion was obtained.

F.A.A. To Meet at Hot Springs, Va.

The Financial Advertisers Association will hold its 1940 annual convention at The Homestead, Hot Springs, Va., Oct. 28-30.

Chester L. Price, advertising and publicity manager of the City National Bank and Trust Company, Chicago, heads the convention city committee. The report of this committee, recommending Hot Springs,

was unanimously adopted.

Other members of the committee are: Henry C. Ochs, Vice-president, Winters National Bank and Trust Company, Dayton, O.; Swayne P. Goodenough, vice-president, Lincoln-Alliance Bank and Trust Company, Rochester, N. Y.; Merrill J. Campbell, assistant secretary, Marine Trust Co., Buffalo.



Bank Lending Study

Here is the committee that prepared the new American Bankers Association questionnaire on the lending activities of banks:

Seated, left to right: Harry C. Culshaw, assistant treasurer, The Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia; Philip H. Butterfield, assistant cashier, First National Bank, Concord, N. H.; E. W. Burdick, vice-president, Cleveland Trust Company; Gurden Edwards, director, Research Council, and secretary, Economic Policy Commission, A.B.A.; Mark J. Igoe, Jr., assistant comptroller, Corn Exchange National Bank and Trust Company, Philadelphia.

Standing: Lester Gibson, director, A.B.A. News Bureau; A. G. Brown, A.B.A. deputy manager in charge of the Agricultural Credit Department; D. Carlton Shilling, assistant cashier, McDowell National Bank, Sharon, Pa.; Paul A. Warner, executive vice-president, Knox County Savings Bank, Mount Vernon, O.; Daniel H. Blizzard, assistant cashier, Philadelphia National Bank; C. Lincoln Linderholm, vice-president, Central Bank, Grand Rapids; and Dr. Harold Stonier, Executive Manager, American Bankers Association.

CONVENTIONS

American Bankers Association

- Mar. 6-8 Regional Conference, Waldorf-Astoria Hotel, New York City
- Mar. 21-22 Regional Conference, Denver, Colorado
- Apr. 21-24 Annual Meeting, Executive Council, The Homestead, Hot Springs, Virginia
- June 3-7 American Institute of Banking, Statler Hotel, Boston, Massachusetts
- June 17-29 The Graduate School of Banking, Rutgers University, New Brunswick, New Jersey
- Sept. 22-26 Annual Convention, Atlantic City, New Jersey

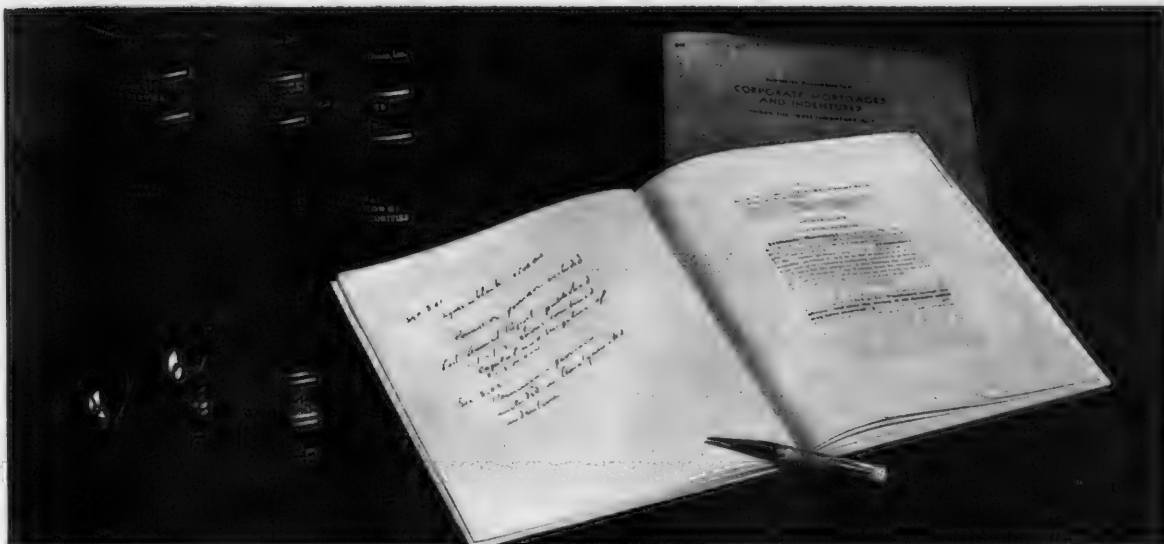
State Associations

- Apr. 4-6 Florida, Biltmore Hotel, Palm Beach
- Apr. 11-12 Georgia, Augusta
- Apr. 15-16 Louisiana
- May 2-3 Oklahoma, Tulsa
- May 6-8 Missouri, Kansas City
- May 7-8 Tennessee, Memphis
- May 8-10 Kansas, Wichita
- May 13-15 Mississippi, Buena Vista Hotel, Biloxi
- May 15-16 Indiana, Claypool Hotel, Indianapolis
- May 15-16 South Dakota, Watertown
- May 16-17 Alabama, Hotel Tutwiler, Birmingham
- May 16-17 Arkansas, The Arlington, Hot Springs
- May 16-17 Maryland, Atlantic City, New Jersey
- May 17-18 New Mexico, Hilton Hotel, Albuquerque
- May 21-23 Texas, Buccaneer Hotel, Galveston
- May 22-24 California, Hotel Del Monte, Del Monte

- May 22-24 Pennsylvania, Hotel Traymore, Atlantic City, N. J.
- May 23-25 Massachusetts, New Ocean House, Swampscott
- May 23-25 New Jersey, Atlantic City
- May 23-25 Virginia, Hotel Roanoke, Roanoke
- May 28-29 Illinois, Palmer House, Chicago
- June 2-4 South Carolina, Ocean Forest Hotel, Myrtle Beach
- June 3-5 Iowa
- June 5-7 Minnesota, Minneapolis
- June 5-9 District of Columbia, The Homestead, Hot Springs, Virginia
- June 6-8 West Virginia, Greenbrier Hotel, White Sulphur Springs
- June 7-8 Wyoming, Carter Hotel, Thermopolis
- June 10-11 Idaho, Bozanta Hotel, Hayden Lake
- June 11-12 Wisconsin
- June 14-15 North Dakota, Minot
- June 17-18 Oregon, Gearhart Hotel, Gearhart
- June 17-19 Michigan, Pantlind Hotel, Grand Rapids
- June 21-22 Colorado, Stanley Hotel, Estes Park
- June 21-23 Maine, Poland Spring House, Poland
- Aug. 26 Nevada, Winnemucca

Other Organizations

- Mar. 20-21 Bond Conference, Fifth Federal Reserve District, Federal Reserve Bank of Richmond, Virginia
- Apr. 18-20 Eighth Eastern Regional Conference, National Association of Bank Auditors and Comptrollers, Emerson Hotel, Baltimore, Maryland
- Apr. 28-May 1 Association of Reserve City Bankers, Hot Springs, Virginia



SUGGESTED PROVISIONS FOR CORPORATE MORTGAGES and INDENTURES UNDER THE TRUST INDENTURE ACT

Five of the country's largest banks, six of the nation's outstanding law firms, collaborated and this timely, helpful new publication is the result. And the SEC likes it.

Briefly, here is a "master" indenture, with suggested provisions for drafting sound, effective, and acceptable corporate mortgages and trust indentures under the new Trust Indenture Act of 1939, now in full force and effect.

It is a "work book," essentially—an invaluable and dependable guide to the

proper procedure to follow in formulating and perfecting such instruments under the new law. Both "Mandatory" and "Permissive" provisions are set forth in detail. Printed on right hand pages only, every type page has a blank page facing it. Many may find this helpful for memoranda and pertinent notes on each instrument in preparation.

Trust Officers and Legal Counsel will want to order in quantities to keep on hand for use each time a corporate mortgage and indenture must be passed upon or drafted.

*134 pages, 8 1/4 x 11 inches, heavy grey ripple paper covers
Single Copy Price, \$2. Special Prices in Quantities.*

COMMERCE CLEARING HOUSE, INC.

NEW YORK
EMPIRE STATE BLDG.

CHICAGO
214 N. MICHIGAN AVENUE

WASHINGTON
MUNSEY BLDG.

FOR EVERY TRUST DEPARTMENT

METHODS and IDEAS

This department of Banking is conducted by our Methods and Ideas reporter, John J. McCann

Public Relations

WHAT MAKES GOOD PUBLIC RELATIONS?" is a fair question. Although no two banks would be likely to answer it alike, Industrial Morris Plan Bank of Detroit sums it up as footwork, contacts, helpful direct selling. In one month the bank's contact men made 1,275 calls on automobile dealers, contractors, building supply men, business and industrial concerns. Within the 50 mile trading area of Detroit, these contacts approximate 12,000 miles travelled. One item of noteworthy interest is that the bank employs a window trimmer whose outside duties are distribution of bank window cards for dealers and special window trims for building supply firms cooperating with the bank in the promotion of F.H.A. loans. In 1939 more than a thousand such displays were placed. Says R. M. Meisel of the public relations department: "Increased business means that we are giving service plus, for our rates and terms are the same as offered by other institutions. Service plus means we are going out of our way in courtesy and assistance to customers—and they notice it!"

TRAVEL CAMPAIGN

The Valley National Bank, Phoenix, Arizona, has erected a billboard at each of the five principal entrances to the state. The purpose of the plan is to induce motorists to see all of Arizona



READABLE SALESMAN (See page 70)

An annual report is made interesting

Auto Loans

THERE COULD BE no more effective way for Bank of America to register the widespread acceptance of its auto loan Timeplan than to make spokesmen of the 450 dealers now financing through the service. The present newspaper campaign is quite a departure from the familiar techniques employed by banks. Advertisements feature the local dealer's photograph, emblem of the car he sells, and some appropriate comment on

new models and the ease of financing through Timeplan. The ad also carries the signature logotype of the dealer.

More than 160 such advertisements have been run in as many cities under this cooperative program. By saluting the local dealers, whom everyone in the community knows, Bank of America promotes Timeplan loans as a localized service that bears the endorsement of local businessmen. This and similar methods of merchandising have attracted to the bank 28.4 per cent of all automobile financing in California for a six-month period—an estimated dollar volume of well over two million.

Service Information

SERVICE FOLDERS frequently miss their mark in failing to contain all the facts a new customer or prospect may naturally be inclined to question. Here is a case where brevity may well be sacrificed in the interest of clarification. There are many ways to accomplish this—none, however, more effectively than the recent mailing piece issued by the Granite Trust Company, Quincy, Massachusetts. This 16-page booklet is a practical classified service directory. Twenty-four services are grouped under seven main divisions, each of which is die-cut with tabs for quick reference. Each tabbed sheet contains the name of one service group. The booklet is inexpensively printed by photo-offset in two colors and is distributed to all new customers with the idea of encouraging

more extensive use of all the bank's facilities.

Split Rate

TO GIVE the serious saver a chance to earn higher dividends, the Merchandise National Bank of Chicago adopted a split rate policy and established a new type of savings account on the first of the year. While continuing to pay 1½ per cent on regular savings accounts, the new "thrift accounts" earn 2 per cent provided they fill three requirements: No withdrawals during a twelve-month period, minimum of ten monthly deposits and a balance not to exceed \$2,500. If the account fails to meet these regulations it falls back into the category of a regular savings account and receives 1½ per cent interest.

In commenting on the new policy, Chairman George B. Everitt said: "Development of this bank's automobile sales-finance and personal loan business is one reason why the management feels warranted in paying 2 per cent on special savings accounts. We plan further expansion of this business for the new year."

Dental Financing

SEVERAL FORMS of dental financing are being tested in various sections of New England which are expected to lead ultimately to more or less statewide adoption. At Manchester, N. H., local banks are cooperating with the dental profession on a three-point program: first, by discounting accounts receivable; second, by providing an effective method of collection; finally, by offering a means of meeting competition by promotional dental organizations that feature time plan payments.

New Savings Plan

THE TROY SAVINGS BANK—one of the 14 New York mutuals operating life insurance departments—offers policyholders all round protection with its newly devised life insurance savings account. This account calls for a regular weekly or monthly deposit schedule of from \$1 to \$5 to a definite goal of \$250, \$500 or \$1,000—or terminating upon a specified future date. The depositor authorizes the bank to pay out of the account balance all policy premiums as they fall due. In this way the account guarantees policies against lapse and provides for additional savings accumulations.

There is no other connection, however, between the insurance policy and the account. The depositor does not sacrifice any of the privileges of a regu-

lar savings account; he may withdraw funds at will, and may terminate the agreement upon five-day written notice without affecting the standing of his policy. In the event of death the funds are paid to the policy beneficiary immediately since the account also carries the trust feature. This program has already won a good volume of accounts and presents a good case for exponents of savings bank life insurance in other states.

Travel Boom

FLORIDA IS being featured far and wide by the travel departments of a

large group of northern banks which are cooperating in the new travel exchange service organized recently by the First National Bank at Orlando, Florida. This unique program operates on a reciprocal basis. The First National supplies attractive display material, literature and other tourist information to all volunteer members of the exchange, and in return finds local outlets for similar material publicizing the sectional attractions of northern resorts.

Now that erstwhile globe-trotters will have to find adventure at home, travel up and down the coast is bound to increase. (CONTINUED ON PAGE 68)

1863



1940

UNITED STATES GOVERNMENT BONDS STATE AND MUNICIPAL BONDS

The Bond Department
service of this bank is
particularly valuable to
correspondents.

Quotation sheets will be
mailed on request. In-
quiries are invited.

Telephone FRAnklin 6800

Teletype CGO - - 987

The First National Bank of Chicago

BUILDING WITH CHICAGO SINCE 1863

Make this TEST



↑ **AQUALIZED TOWEL**

Aqualized towels are inherently strong when wet. Also soft, highly absorbent. One Aqualized towel really wipes dry!

ORDINARY TOWEL ➔

Many paper towels are inherently weak. They tear, shred and fuzz when wet. Cause waste through extra-towel use.



...and learn the meaning of AQUALIZED!

(An exclusive wet strength process)

Just try an Aqualized towel and you'll know in a minute why it's different from any paper towel you ever used before.

You'll find that Aqualized towels won't tear, shred or fuzz in use as many towels do. The reason is the Aqualized Process that makes these towels *stronger when wet!*

This Aqualized Process is an exclusive laboratory development of Brown Company. And it's available only in Aqualized towels.

Towel users recognize and appreciate this better drying service... towels they like to use. What's more, Aqualized economy pleases the man who pays the towel bills!

So get some samples now, before you place your next towel order. Test them in your own washroom. Compare them with any other drying service. Learn the practical meaning of Aqualized! Manufactured solely by Brown Company, 420 Lexington Ave., New York, N.Y.

WHY "AQUALIZED" IS A BUY-WORD

1. All paper towels are made from wood cellulose. Brown Company, manufacturer of Aqualized towels, possesses its own vast timberlands containing the finest northern spruce and northern birch. From these superior woods it produces the highest types of purified cellulose.
2. For this reason the Brown Company has *complete control* over the raw material used in Aqualized towels. At no time can outside circumstances interfere with the rigid quality standards established for these towels.
3. The basic cellulose materials used in Aqualized towels are White Husky Cellate and sulphate pulps, both made from selected northern spruce.
4. These specialized celluloses, developed by Brown Company, produce soft absorbent toweling.
5. This toweling is then given the Aqualized process—sole property of Brown Company—which *welds* the cellulose fibres into strong cloth-like Aqualized towels.



HOW TO GET AQUALIZED TOWELS

The Aqualized feature is now available in the well-known NIBROC brand. Sold by leading paper merchants throughout the United States and Canada. Test samples and name of your local distributor furnished when requested on your business letterhead.



NIBROC
AQUALIZED TOWELS

REG. U. S. PAT. OFF.



NOT A SOUND . . . not a sign of movement; but flames, well under way in a remote part of the plant, are nearly ready to break through. Destruction is just around the corner.

Fire hazards may lie dormant for years, then unexpectedly come alive and destroy, or seriously damage, your property.

Let IRM fire-prevention engineers inspect your holdings thoroughly. They will locate danger spots and tell you how to eliminate them so your property can become an improved risk. In this way, you lower your insurance costs and re-

duce the probability of shut-downs (and consequent loss of business) due to fire damage. By making periodic inspections during the entire life of the policy, IRM keeps fire losses down. As a result, policyholders have received a return of 25% of their premiums every year since the organization of this group—sound indemnity at minimum cost.

For your own protection, simply write us saying, "Send an IRM fire-prevention engineer to inspect my property." He will call at your place of business promptly; no cost or obligation on your part.

IMPROVED RISK MUTUALS

60 JOHN STREET, NEW YORK



A nation-wide organization of old established, standard reserve companies writing the following types of insurance: Fire • Sprinkler Leakage • Use and Occupancy • Tornado and Windstorm • Earthquake • Rents • Commissions and Profits • Riot and Civil Commotion • Inland Marine

METHODS—Continued

crease. And with this chain setup a definite amount of business is going to be traded all along the line. In addition to plugging the virtues of the states and sections involved, the old home town is in for a boost now and then. And linked with it all is effective tie-up promotion of various services rendered by bank travel departments.

Hints for Hustlers

THE COMMITTEE on Education and Public Relations of the Missouri Bankers Association pins down "self-analysis" as the logical first step in organizing the individual bank program. To assist member banks in giving this approach a practical test, the committee has issued an interesting pamphlet, titled "Hints for Hustlers", a questionnaire that probes personality, attitude, habits and other factors that influence public impressions for better or worse. Banks are advised to hold at least one 30-minute employee session monthly for a general discussion of problems and for a little examination of conscience with the aid of the questionnaire. The committee holds that a mental checkup now and then will do as much to improve public impressions "on the firing line" as any other means that can be employed.

Doctor-Patient Loans

A RECENT CANVASS of banks that have sponsored "Pay Your Doctor Week" and similar promotion schemes for doctor-patient loans reveals encouraging results. Those who could say no more for it than "good publicity" have at least reason to believe a little more consistent follow-up will net a fair volume. The guideposts for real success seem to be in fully acquainting the professions with the merits of the plan and in gaining their confidence and cooperation before the campaign is staged; also in allotting sufficient appropriation to do the job thoroughly, and, probably most important, in offering more than one type of credit accommodation.

On the latter score, the First National Bank of Portland, Oregon, suggests an ideal three-way program. Doctor-patient financing is handled: (1) Through an unsupported loan to the patient, should he qualify for credit in the regular way. (2) A loan to the patient supported by the doctor's endorsement, if he is willing to lend it. (3) The collection through the bank's collection department of such notes as the doctor may take, on which the bank is unwilling to lend direct and the doctor is unwilling to

endorse. This plan, of course, applies only to new business and is not offered to bail out bad accounts.

Research

THE RESEARCH ADVISORY SERVICE, now sponsored by 10 banks as a voluntary clearinghouse for technical information as an aid to industry, has announced the formation of a special science committee. Members are: chairman, Maurice Holland, director of the Division of Engineering and Industrial Research of the National Research Council; Dr. Henry A. Barton, director of the American Institute of Physics; William Haynes, author and editorial director and publisher of *Chemical Industries*; Dr. Harrison E. Howe, editor of *Industrial and Engineering Chemistry*; and Dr. C. H. Mathewson, professor of metallurgy at Yale University. At the first of a series of one-day symposiums held recently at New York the committee reviewed the program and progress of the service to date as presented by Bert H. White, director. Chairman Holland explained that the problem of gearing America's industries more directly to the nation's research laboratories and of cutting down the existing lag between the discovery of a new process and its general adoption in industry, is primarily the objective of every forward-looking bank. The committee will meet periodically in the fu-

DOCTOR-PATIENT LOANS

A plan described on the opposite page

FIRST NATIONAL'S

DOCTOR-PATIENT

FINANCE SERVICE



FIRST NATIONAL BANK

OF PORTLAND

March 1940

Great American Insurance Company New York

INCORPORATED 1872

HOME OFFICE, ONE LIBERTY STREET
NEW YORK CITY

STATEMENT, DECEMBER 31, 1939

ASSETS

Cash in Banks and Office.....	\$ 4,195,853.05
Bonds.....	9,340,977.00
Preferred and Guaranteed Stocks.....	8,432,615.00
Stocks of Affiliated Insurance Companies....	12,055,510.00
Common Stocks.....	13,376,737.00
Premiums in Course of Collection.....	2,414,406.73
(not more than ninety days due)	
Other Admitted Assets.....	147,543.37
TOTAL ADMITTED ASSETS.....	\$49,963,642.15

LIABILITIES

Reserve for Unearned Premiums.....	\$13,146,880.64
Reserve for Losses and Loss Expenses.....	1,496,807.88
Reserve for Dividends.....	733,500.00
Reserve for All Other Liabilities.....	755,149.28
Capital Stock.....	\$ 8,150,000.00
Surplus.....	25,681,304.35

POLICYHOLDERS' SURPLUS.....	33,831,304.35
	\$49,963,642.15

Based on December 31, 1939 market quotations for all Bonds and Stocks owned, the total Admitted Assets would be increased to \$50,224,628.15 and the Policyholders' Surplus to \$34,092,290.35. Securities carried at \$1,622,534.00 in the above statement are deposited as required by law.

DIRECTORS

DANIEL R. ACKERMAN, New York City Vice-President and Secretary, Great American Insurance Co.	PERCY H. JOHNSTON, New York City Chairman of the Board, Chemical Bank & Trust Co.
EARL D. BABST, New York City Chairman of the Board, American Sugar Refining Co.	WILLIAM H. KOOP, New York City President, Great American Insurance Co.
H. DONALD CAMPBELL, New York City President, Chase National Bank of New York	SAMUEL McROBERTS, New York City
ARTHUR O. CHOATE, New York City Clark, Dodge & Co.	ALEXANDER R. PHILLIPS New York City Vice-President, Great American Insurance Co.
JOHN M. DAVIS, New York City President, Delaware, Lackawanna & Western Railroad Co.	JESSE S. PHILLIPS, New York City Vice-President, Great American Insurance Co. Formerly Superintendent of Insurance of New York
LOUIS W. DOMMERICH, New York City L. F. Dommerich & Co., Commission Merchants	HOWARD C. SMITH, New York City Estate Trustee
JOHN H. HILLMAN, JR., Pittsburgh Chairman of the Board, Hillman Coal & Coke Co.	PHILIP STOCKTON, Boston Chairman of Executive Committee, The First National Bank of Boston
EUSTIS L. HOPKINS, New York City Chairman of the Board, Bliss, Fabyan & Co., Cotton Goods Commission Merchants	ROY B. WHITE, New York City President, Western Union Telegraph Co.
	GARRARD B. WINSTON, New York City Shearman & Sterling, Attorneys

The Great American Insurance Company and its affiliated companies of the Great American Group write practically all forms of insurance except Life

AGENTS THROUGHOUT THE UNITED STATES

ture to interpret the broad trends in science and keep the service molded to these trends as well as to the practical demands of industry.

Billboard

"THANKS TO THRIFT" is the new outdoor billboard series scheduled for 1940 by the East River Savings Bank, New York City. This slogan will be written across each poster in a dashing free hand script accompanied by a word or picture of a desirable thrift achievement. Although the choice of picture illustration seems at first conventional, the idea—particularly the treatment—

is smartly modern and novel in effect. Like the bank's previous series, the new designs make daring use of a technique successfully employed in department store advertising. The theory is that the poster has much in common with the store window. In the case of the poster, a desirable product is spot-lighted, isolated and glorified for instant attention and response; likewise this is true of good window display.

Philately

CONSIDERABLE PUBLICITY has been given to the unsuccessful attempt by the Irvington (New Jersey) Chamber of

Commerce to have Irvington handle the first day sale of the new issue of the Washington Irving postage stamps. Because this community changed its name from Camptown to Irvington in the 1850's to honor the famous writer, the Chamber thought the privilege should be conferred there instead of Tarrytown, New York, the home-place of Washington Irving. But the Post Office said no. Still the Irvington National Bank made capital of local interest by staging an "Oldtime Irvington" exhibit and offering to mail first-day covers from Tarrytown on the date of issue. A cordial letter signed by President Roy A. Hitchings expressing appreciation for cooperation in the exhibit was mailed to all contributors in an envelope bearing the engraved portrait of Irving.

Loan Officers!

Ever see a field warehouse?

Let us take you on an informative, profitable visit to a nearby LAWRENCE SYSTEM operation

Two hundred and sixty-three Loan Officers visited LAWRENCE SYSTEM field warehouses in January to see how we handled their collateral merchandise.

They were amazed at our thoroughness and still more at the smoothness with which LAWRENCE SYSTEM works.

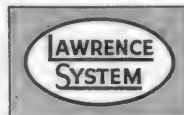
Would you like to increase your understanding of this outstanding method of collateralizing commodities on the premises of the borrower?

See LAWRENCE SYSTEM *in action* with one of our trained Warehouse Examiners—anywhere—anytime—no cost. Just fill in the coupon below and send it to our nearest office for an appointment.

Creating Commodity Paper Against Inventory

A. T. GIBSON, President

Member: AMERICAN WAREHOUSEMEN'S ASSOCIATION Since 1916
NEW YORK: 52 Wall Street • BOSTON: 10 Post Office Square
PHILADELPHIA: 1500 Walnut Street • BUFFALO: Liberty Bank Bldg.
CHICAGO: 1 N. LaSalle St. • KANSAS CITY, MO: 933 Mulberry St.
HOUSTON: 1001 Shell Bldg. • LOS ANGELES: 1020 W. P. Story Bldg.
SAN FRANCISCO: 37 Drumm St. • FRESNO, CALIF: 2030 Anna St.
PORTLAND, ORE: U. S. Bk. Bldg. • SPOKANE, WASH: S. 155 Stevens
DALLAS, TEXAS: Santa Fe Bldg. • HONOLULU, TERRITORY HAWAII



LAWRENCE SYSTEM:

Please send me your booklets: *Loan Officers' Questionnaire on Field Warehousing and Questions and Answers about LAWRENCE SYSTEM.*

I would like to visit a LAWRENCE SYSTEM field warehouse in this vicinity about _____

Name _____ date _____
City _____ State _____

Readable Salesman

THE FEDERATION BANK AND TRUST COMPANY of New York City submits an outstanding example of the current trend toward enlivened, readable annual reports. To warm up the facts of the formal presentation of year-end results as contained in the president's annual report, the bank used the so-called "papoose" treatment. The formal report is tucked in a pocket inside the front cover of a larger booklet which permits it to show through a cellophane window, forming part of the cover design, and be lifted out as a separate booklet. The main booklet contains a four-page color insert high-lighting with pictures, charts and sound selling copy many of the facts contained in the president's message. Color is used to emphasize chart blocks which visualize the comparison of deposits, surplus, undivided profits, reserves, etc., from 1933 to date. This impressive piece was delivered to stockholders early in February by Western Union messengers.

Financial Advertising

ACCORDING to the annual survey on bank advertising trends issued last month by the Financial Advertisers Association, member banks will place more than half of 1940 budgets in newspaper space. The next medium in line is direct mail. Following in order of expenditures are radio, billboards, exhibits and displays, and miscellaneous media. Thirty per cent of the reporting banks indicate a sizeable increase in appropriations, while 65 per cent are maintaining a status quo and only 5 per cent indicate a reduction. It is estimated that one quarter of all appropriations will be devoted to loan campaigns.

Heard Along MAIN STREET

This material is compiled for
BANKING by Albert Journey

FEW men have been more intimately associated with, or performed greater service to, their communities than has A. G. BISHOP, chairman of the board, Genesee County Savings



Mr. Bishop

Bank, Flint, Michigan. There are few movements, civic or charitable, in Flint that have not benefited from his enthusiastic cooperation and generosity.

Upon completing his education at the University of Michigan in 1873, Mr. BISHOP, whose father had long been prominent as a banker in Flint, entered the employ of the bank which he subsequently headed.

He donated the ground for Bishop Airport, the city's modern flying field, which is regarded as one of the best and safest in the state. He is one of the original directors of General Motors, which directorship he still holds. In 1915 he was president of the Michigan Bankers Association.

★

WILLIAM EDWARD CAMPION and officers of the East River Savings Bank, New York City, celebrated on November 10, 1939, the fortieth anniversary of Mr. CAMPION's employment with the bank. He is the bank's oldest employee in years of service.

At a surprise luncheon at the main office, Mr. CAMPION was presented with an honorarium in recognition of his faithful service.

March 1940

While cutting a birthday cake which symbolized his lengthy service, he gave reminiscences about his early days in the bank, in which he has served under two of the three secretaries and six of the nine presidents since the institution's organization in 1848.

★

JOSEPH SCHAD of the Chase Safe Deposit Company, New York, has been an enthusiastic cyclist for 24 years. Mr. SCHAD has covered 90,000 miles in his years behind the handlebars. In this time he has owned and ridden 14 different bicycles—all of them intricately constructed and built by European firms which specialize in speed and endurance.

★

BRYANT B. BROOKS, who has been president of the Wyoming National Bank of Casper, Wyoming, since it was founded, followed Horace Greeley's famous advice.

Born in Massachusetts, BRYANT BROOKS, came to Chicago when, shortly after the Chicago fire, his family moved there. A little later, young Brooks departed the family fireside and, after stopping briefly in Nebraska and Colorado, arrived in Wyoming in 1880.

In the *Memoirs of Bryant B. Brooks*, recently published, are set forth the events in his exciting and successful career. The book tells of his experiences

★



Above, "Traveling Jenny", half buffalo-half cow, owned by William Connolly, vice-president of the Bank of Killdeer of North Dakota. Leo D. Harris, the photographer, says: "For two years I have been trying to photograph 'Traveling Jenny' . . . but she has always eluded my camera lens, no matter what precautions were taken, until recently. . . . She can leap over high wire fences with the ease of a jackrabbit", and tear across the badlands like a flash.

in this frontier state as cowboy, trapper, lumberman, stockman, oil man, banker and Governor of Wyoming.

It is a forthright and vitally interesting autobiography that will hold great interest for those who love adventure and achievement.

★

J. W. CORWIN, vice-president of both the Yellowstone Bank of Columbus and of the Yellowstone Bank at Laurel, Montana, has lived in the Yellowstone



Senator Corwin

Valley for over 40 years. He has served in both houses of the Montana State Legislature and was for many years a member of the Republican State Committee.

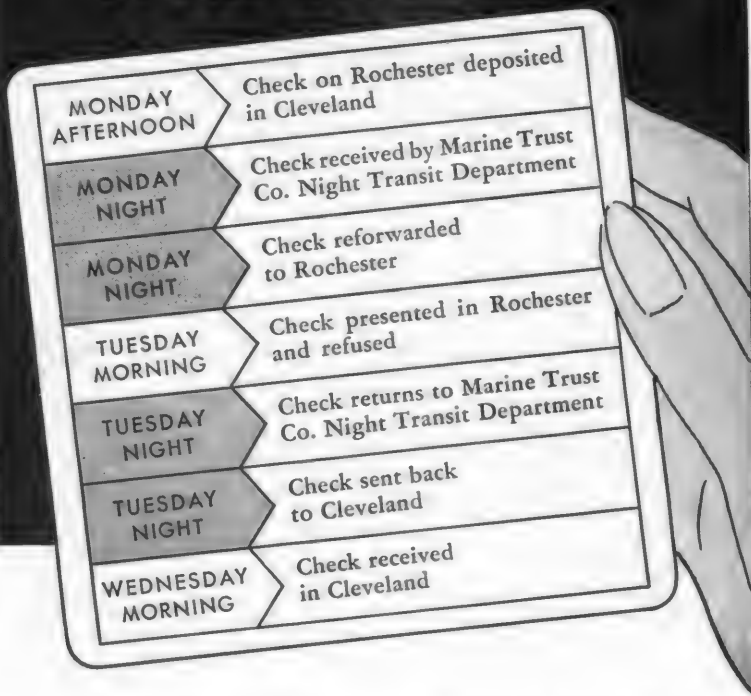
Senator CORWIN spends his Summers with his family, including two grandchildren, at his cabin at East Rosebud Lake. It is a sportsmen's paradise, where boating, fishing, riding and hiking are available. In earlier days the senator hunted big game, but his present hobby is photography and the never ending pleasure he finds in the company of his grandchildren. He is a past president and charter member of the Rotary Club at Laurel.

★

RODNEY PRIOR LIEN, recently appointed state banking superintendent of Ohio, is the youngest man in the history of Ohio banking ever to hold this important office.

Mr. Lien, who resigned as president of the National Bank of Lima to accept

CAN YOUR BANK USE SPEED LIKE THIS ?



MONDAY AFTERNOON	Check on Rochester deposited in Cleveland
MONDAY NIGHT	Check received by Marine Trust Co. Night Transit Department
MONDAY NIGHT	Check reforwarded to Rochester
TUESDAY MORNING	Check presented in Rochester and refused
TUESDAY NIGHT	Check returns to Marine Trust Co. Night Transit Department
TUESDAY NIGHT	Check sent back to Cleveland
WEDNESDAY MORNING	Check received in Cleveland

Your bank may not be located in Cleveland. And maybe you aren't particularly interested in Rochester, New York. But this "timetable" does give you some idea of how fast you can present cash items in New York State if you use the Marine's night transit service.

This speedy service enables your bank to save up to 24 hours or more in presenting cash items throughout New York State. With very few exceptions, items reaching us prior to 12:30 A. M. will be presented the next business day in 56 New York State cities and towns.

Such results are possible because of The Marine Trust Company's many correspondent banks throughout the state, and its strategic location in the world's greatest market. Send for a copy of our latest night transit schedule.

MARINE TRUST COMPANY OF BUFFALO

A Marine Midland Bank

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

the appointment, is 38 years old. In his 20 years of banking experience he has filled every position from bookkeeper to president.

★

A. ERNEST THOMAS, supervising engineer and building superintendent of The Dime Savings Bank of Brooklyn, Brooklyn, New York, is an outstanding authority and lecturer on deep-sea diving and the salvaging of sunken ships. He is also vice-president of the National Association of Power Engineers of America.



Mr. Thomas

At the age of 20, after preliminary schooling in engineering, he entered the service of the British mercantile marine as an apprentice and soon took his license as a chief engineer.

In 1914, at the outbreak of the World War, he entered the Admiralty Salvage Section, Royal Naval Reserve, with the rank of lieutenant, and specialized in deep-sea diving. Within a short time he was commissioned as a captain and given charge of salvage operations on the southeast coast of England and later in the Irish Sea. Significant then, as now (since September 1939), is the fact that most of the shipping destroyed by mine and torpedo went to the bottom in those areas.

Mr. THOMAS has many thrilling tales to tell of the hazards of sub-aqueous operations. On four occasions he almost lost his life—once while working on the Canadian Pacific Liner *Montreal*, sunk in 73 feet of water 20 miles out at sea off the west coast of England. On this occasion a heavy tide tangled his lines in the ship's structure, and prevented his being pulled to the surface. By desperate means he was finally released,

and after a few hours in a compression chamber he was revived.

Many times, while releasing bodies from sunken vessels, he has been blown to the surface, but his good luck remained with him and today he is none the worse for his many narrow escapes.

Mr. THOMAS' hobby is lecturing before church and civic bodies on deep-sea diving. During the past year he has given 20 lectures.

★

No more interesting story has come to the attention of this department than the career of A. L. M. WIGGINS, president of the Bank of Hartsville, South Carolina.

Because of the death of his father when he was a year old, Mr. WIGGINS was reared in humble financial circumstances. His mother worked to put him through the public schools and he himself worked for three years prior to entering the University of North Carolina. He entered the University with \$500 he had saved and graduated four years later, having completed the regular course plus a year of law, with \$1,000 in the bank. In addition to earning all of his expenses he had been prominent in undergraduate activities, was editor-in-chief of the college annual and a member of the senior Order of the Golden Fleece.

On leaving the University he came to Hartsville as private secretary to D. R. Coker. This association with Mr. Coker continued until the latter's death in 1938.

While Mr. WIGGINS' abilities have made him outstandingly successful in such varied fields as merchandising, printing, banking and publishing, his sympathies are and always have been with people below the average income level and particularly with young people who are trying to break through toward higher standards of living.

Among the important positions Mr. WIGGINS holds or has held are: treasurer, Coker's Pedigreed Seed Co.; general manager, J. L. Coker Company Department Store; publisher, The Hartsville *Messenger*; president, Southern Retail Merchants Conference; president, South Carolina Independent Merchants Association; president, South Carolina Bankers Association; chairman, Executive Committee, State Bank Division, American Bankers Association; member of the Research Council and chairman of the Federal Legislation Committee of the A.B.A.; president, Hartsville Rotary Club; trustee and treasurer of Coker College; and president, South Carolina Federation of Commerce, Agriculture and Industry.

ERROL F. GALT, vice-president, The First National Bank of Great Falls, Montana, brought to banking a rounded experience in varied fields. Born on a farm in Minnesota, he graduated from the Normal College at Austin. He then started work for an Iowa lumber company and later was station agent for the Illinois Central at Toeterville, Iowa.

In 1910 he came to Montana and engaged in the hardware and implement business, and general ranching.

In 1917 with three associates he founded the First National Bank of Geyser, Montana, which bank was voluntarily liquidated about five years ago

without loss to any of the depositors.

In 1933 Mr. GALT became associated with the First National Bank of Great Falls and has been vice-president of that institution since 1934.

Mr. GALT served as state senator for the regular sessions of 1931 and 1933 as well as the special session of 1934. He has retained his interest in cattle ranching and is active in a cattle ranch in Square Butte, which normally has more than 1,000 head of cattle.

His other principal diversions are riding, fishing, hunting and traveling by auto to remote sections of North America.

Continental Illinois National Bank and Trust Company of Chicago



Where correspondent bank relationships
go beyond routine performance

Member Federal Deposit Insurance Corporation

Five Talks on Investments

CONTINUING the educational program begun last Winter, the Bond Portfolio Committee of the New York State Bankers Association is now conducting a series of investment forums at 11 key points in New York State. Last year more than 500 bankers journeyed to New York City on four occasions to hear the committee's speakers. This year it is the speakers who are traveling, criss-crossing back and forth throughout the state, to hear the questions that bankers wish to put to them.

A chief purpose of having these comparatively small group meetings is to encourage more active discussion of investment problems among the bankers who attend. Another objective is to reach many bankers and especially bank directors influential in determining bank investment policies who might be unable or unwilling to go all the way to New York City to hear lectures about securities. To date more than a thousand bankers have attended these group meetings.

Five talks have been prepared, all of them to be given in each of the 11 cities. The material, covering almost every phase of the subject of bank investments, is calculated to stimulate questions and discussion. Stress is laid upon fundamental principles and technique. Here is a summary of the high lights of these five talks:

In Talk Number 1 on "Bank Portfolio Management", emphasis is placed on the responsibility of the board of directors for mapping out a bank's investment program and defining the limitations within which the executive or investment officer may operate. These aims and policies should be put in writing and formally adopted by the board, subsequently to be reviewed at regular intervals. To perform this duty well, adequate records should be maintained regarding the bank's investment requirements and regarding the portfolio itself.

The officer in charge of the portfolio should carefully plan where he is to obtain competent outside advice on investment matters. He should also select some younger man in the bank to work with him on investments.

In determining investment policies, the first concern must be the safety of the institution. Income must be a secondary consideration except for banks which are in very strong financial condition.

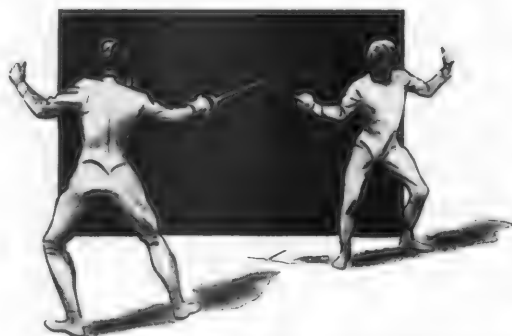
TYPES OF INVESTING

IN Talk Number 2 the distinction is drawn between two different types of investing. The first seeks profits from market appreciation or, equally hazardous, an unusually high rate of return on invested funds. The second seeks as its chief objective the preservation of principal, implying an acceptance of the prevailing rate of return on high grade securities.

Second grade bonds ordinarily suffer from weaknesses that are inherent, such as the following: an excessive amount of debt, a low margin of profit, an adverse trend in the industry, or inadequate working capital. During a period of business revival all of these factors may be obscured by a temporary boom in profits, but the inherent weaknesses usually remain. A banker who buys second grade bonds is courting trouble.

Equally foolish, if somewhat less dangerous, is a policy of trading in high grade bonds. Bankers cannot and should not try to guess short term swings in bond prices. Many of the so-called

"En Garde!"



The master swordsman maintains a sure defense against the quick thrust at the unexpected moment.

Likewise, your bank should be continually on guard against financial loss from damage claims resulting from injury to some member of the public on the bank's property or through its operations.

Public Liability insurance in Standard of Detroit is a *sure defense* against this hazard. Your Standard agent or broker will help you, or your clients, plan a sound program of Public Liability protection as well as coverage for automobile accident, burglary, embezzlement, forgery, and similar risks.

STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1864

profits realized from sales of securities in recent years are simply borrowings from tomorrow's income.

Assuming, then, that a banker confines his investments to money bonds, how much should he invest and in what maturities? This will depend upon the protection afforded against market fluctuations by his capital structure and upon his need for income. The vulnerability of a list of bonds to market decline can be estimated roughly by computing the average maturity of the list and assuming some hypothetical change in interest rates, say of 1 per cent from present levels. A bond yield table will show the approximate percentage decline that would take place and this can easily be translated into terms of actual dollars. This amount should be measured against the bank's surplus, undivided profits and reserves.

There are considerable advantages in having at least a portion of the portfolio consist of staggered maturities that will provide a source of constantly maturing funds.

Talk Number 3 deals with the fundamentals of the money market.

SUB-STANDARD BONDS

THE problem of sub-standard bonds is the theme of Talk Number 4. After weathering the greatest financial cataclysm of our history, most banks found themselves with certain bad assets. With destructive forces now ravaging a weakened world economy, a banker's first concern should not be to obtain recoveries but to put his institution in an impregnable financial position.

As a general guide, if the volume of a bank's questionable assets amounts to 80 per cent of net sound capital or to 300 per cent of surplus and undivided profits, whichever is smaller, immediate steps should be taken to correct the situation. For this computation, it is suggested that all securities not classed in the two highest rating groups should be called doubtful assets.

Railroad bonds frequently comprise the bulk of the bad assets, and some bankers have made little progress toward eliminating these holdings in the belief that they might someday recover substantially. It is essential to realize that much former railroad traffic has been permanently lost to other forms of transportation and that the railroads have been in a declining trend for many years. The deterioration of the investment merit of a great many railroad securities appears to be permanent, and bankers should face the necessity of accepting losses in these holdings.

Talk Number 5 considers seven basic

elements necessary in a consideration of corporate bond analysis.

The first four are derived from a corporation's balance sheet; the others, from its earnings record. (1) Property: the final measure of strength behind a bond after everything else has failed. (2) Working capital: a measure of the capacity of a company to remain solvent. (3) Debt: its size in relation to asset values and earnings. (4) Equity: a measure of the owners' commitment in the business. (5) Gross revenues: a measure of the vitality of the industry and the company. (6) Margin of profit: a measure of the efficiency of the man-

agement and its ability to meet changing conditions. (7) Margin of safety: per cent of gross revenues remaining after fixed charges, a rough indicator of the amount of fluctuation in gross revenues that a company can stand before its ability to cover interest by earnings comes into doubt.

The use of ratios provides a convenient way of analyzing these seven basic factors and in measuring important relationships between them. They furnish bankers with a common sense and non-technical approach to the matter of bond analysis.

E. SHERMAN ADAMS

CENTRAL HANOVER BANK AND TRUST COMPANY NEW YORK



Statement of Condition at Close of Business December 30, 1939

ASSETS

Cash and Due from Banks	\$627,536,800.46
U. S. Government Securities	333,761,611.86
State and Municipal Securities	25,497,004.55
Other Securities	25,449,494.27
Stock in Federal Reserve Bank	2,430,000.00
Loans and Bills Purchased	165,748,814.87
Real Estate Mortgages	7,064,669.79
Banking Houses	15,450,009.00
Other Real Estate	1,716,862.40
Interest Accrued	1,553,798.01
Customers' Liability Account of Acceptances	5,599,022.67
Total	\$1,211,808,087.88

LIABILITIES

Capital	\$21,000,000.00
Surplus	60,000,000.00
Undivided Profits	12,745,639.68
Reserve for Taxes, Interest Accrued, etc.	4,241,578.34
Dividend Payable January 2, 1940	1,050,000.00
Acceptances	6,034,749.40
Deposits	1,106,736,120.46
Total	\$1,211,808,087.88

There are pledged to secure public monies and to qualify for fiduciary powers
U. S. Government Securities \$5,118,652.94

Member Federal Deposit Insurance Corporation

Advertising that turns thoughts



into ACTION

Banks using trust campaigns prepared by Purse have recently reported that the first mailing brought inquiries from as high as 31% of the people on the mailing list.

But inquiries alone are not enough. Your response to the inquiry—be it by master booklet, letter or personal contact—must stimulate *continued* action by the prospect—action that will bring him, or his will or trust agreement, into your Trust Department.

Purse campaigns for 1940 contain action-stimulants of proven effectiveness. One of these campaigns can be adapted to your market for trust business, and to your appropriation for trust advertising. Write today, without obligation, for information.

The PURSE
COMPANY · CHATTANOOGA

Headquarters for Trust Advertising

BOSTON NEW YORK CHICAGO LOS ANGELES

Air Conditioning

(CONTINUED FROM PAGE 31)

New England States

	TREND				
	YES Replies %	SLIGHT Replies %	DOUBTFUL Replies %	NO Replies %	TOTAL Replies
Maine.....	6 21.4	3 10.7	4 14.3	15 53.6	28
New Hampshire.....	10 43.5	6 26.0	2 8.7	5 21.8	23
Vermont.....	2 12.6	3 18.7	8 50.0	3 18.7	16
Massachusetts.....	24 29.3	18 21.9	11 13.4	29 35.4	82
Connecticut.....	13 26.0	13 26.0	.. ..	24 48.0	50
Rhode Island.....	1 12.5	2 25.0	3 37.5	2 25.0	8

conditioning plants and reduction in cost of units. For instance, replies from Massachusetts state that "air conditioning has great future possibilities." More comments are: "Of growing importance" and "slowly but surely gaining favor." Some assert that "people are more interested in insulation"; others that "units are adapted only for high-priced homes."

A Maine correspondent states: "Air conditioning has a fine advertising appeal." A third remarks: "No market factor at present."

From New Hampshire come several varied replies: "Gaining favor." "Too little known about air conditioning as yet." "Is being installed in public and business buildings." "Rock wool is more important here now."

A contributor from Vermont believes that "air conditioning units are being installed in high-priced homes only."

Some correspondents from Rhode Island believe in the "future importance of air conditioning." Others claim that "little is known about it," while still others say that "average worker cannot consider air conditioning as equipment for his home."

Observations from Connecticut are in keeping with the general trend.

Pacific States

	TREND				
	YES Replies %	SLIGHT Replies %	DOUBTFUL Replies %	NO Replies %	TOTAL Replies
Washington..	9 37.5	10 41.7	2 8.3	3 12.5	24
Oregon.....	2 33.3	1 16.7	2 33.3	1 16.7	6
California...	20 42.5	8 17.0	2 4.3	17 36.2	47

According to the returns, the responses from these three states show a decided leaning toward air conditioning.

An observation from Washington is that "air conditioning is a desirable modern addition." Several state that in their opinion "it is of growing importance." However, some comment that "automatic heat at present is a greater factor."

Oregon sends in replies such as, "air conditioning is a future factor"; "used only in better homes"; "not an important element now."

From California comes unmistakable approval. A few answers state: "High temperatures in valleys make air conditioning necessary." Others say: "Considered in all high-priced dwellings." Several remark that "business and public buildings are installing air conditioning plants."

Of the eight Plateau States, five have replied in the nega-

BANKING

Plateau States

	TEND					TOTAL Replies
	YES Replies %	SLIGHT Replies %	DOUBTFUL Replies %	NO Replies %		
Idaho.....	2 33.3	1 16.7	. ....	3 50.0	6
Montana....	1 10.0	3 30.0	3 30.0	3 30.0	10	
Wyoming....	1 14.4	1 14.4	2 28.4	3 42.8	7	
Nevada.....	1 25.0	2 50.0	. ....	1 25.0	4
Utah.....	6 46.1	1 7.7	4 30.8	2 15.4	13	
Colorado....	4 20.0	7 35.0	3 15.0	6 30.0	20	
New Mexico..	2 25.0	. ....	. ....	6 75.0	8
Arizona.....	1 25.0	2 50.0	. ....	1 25.0	4

tive to Question No. 3, two have tied, and only one state, Utah, has a greater proportion of "yeses" than "noes."

Idaho sends in a report that "people are not interested now in air conditioning, but feel that it is of future importance." Replies from Montana say that "it is not important enough in that climate." Some, however, state "they look to future interest in air conditioning." Responses from Wyoming aver that "it is increasing in importance, but not great factor yet." "Cannot be installed in low-cost housing, as installation is too expensive." An informant from Nevada says: "Because of high elevation, air conditioning is not much of a factor." Answers from Utah imply "a future interest." Some state that "it is gaining favor in high-priced homes." Others remark "that business and public buildings are adopting air conditioning equipment." "It is a good sales angle" and "new high-priced-home owners are considering it," are comments from Colorado. "Gaining favor but not yet important in this climate," is a reply from New Mexico. From Arizona comes this comment: "Priced too high as yet."

* * *

The following data have been obtained from the Air Conditioning Manufacturers' Association in Washington, D. C., and they are incorporated in this article because they check with many of the answers to this question.

"The future prospects of air conditioning are unlimited. One should not look for any spectacular elements that will mushroom the industry into huge proportions. Instead its future growth should continue healthy and normal as it has been over the past decade.

"Today," says this association, "air conditioning is counted as a practical necessity in almost every line of commercial endeavor. So far as industrial processing is concerned, over 200 different industries are using air conditioning. . . .

"In the home residential field," the association concedes, "air conditioning is slower of adoption, probably because the industry has been so occupied with serving the commercial and industrial markets that it has not had an adequate opportunity to develop the home field. In the future," they state, "the home residential field will be one of the largest markets."

The association frankly admits that in many residences "Winter air conditioning installations are unsatisfactory in practical operation. However, this is not the fault of the air conditioning equipment, but rather that incompetent installers, and particularly the corner-cutting speculative builders of residences, have exploited this market to the detriment of the home buyer, and consequently to the impairment of the name of air conditioning. This condition will no longer exist when the public learns to take advantage of the facilities and services of competent and reputable air conditioning manufacturers and their authorized agents."

March 1940

Homes equipped with non-rust metals MAKE BETTER MORTGAGE RISKS



IN copper, brass and bronze, mortgagors find a recognizable basis for sounder security in their mortgage risks. For these Anaconda Metals, by eliminating rust and rust-repairs, help preserve the original value of the home.

Moreover, such products as copper and brass pipe, copper sheet metal work, Everdur Metal hot water tanks and bronze screening cost so little more than temporary rustable materials that...in terms of service rendered per year, per dollar... they are far more economical.



THE AMERICAN BRASS COMPANY

General Offices, Waterbury, Connecticut

Subsidiary of Anaconda Copper Mining Company

In Canada: ANACONDA AMERICAN BRASS LTD., New Toronto, Ont.

Anaconda Copper & Brass

ASK BANKING

Prizes Every Month!

Each month \$5 will be paid for the best question submitted to this department, and \$2 will be paid for all other questions answered here. Generally, the questions should be related to bank methods and operations. Other questions will be answered by letter.

Answers will be given by E. S. WOOLLEY, who conducts the department, and other operations authorities of BANKING.

Following is the question that wins the \$5 award this month.

CHECK PROTEST

Why is it necessary to protest a check? If protesting a check is necessary in the best interests of banking, why raise the limit from \$10.01 to \$50.01? Would it not be better to eliminate protesting altogether?

THE FOLLOWING is extracted from a circular issued by the Bank Management Commission of the American Bankers Association: "The Negotiable Instruments Act, section 152, requires protest of a foreign bill of exchange but

provides that 'where a bill does not appear on its face to be a foreign bill, protest thereof, in case of dishonor, is unnecessary. . . . Only a check which, on its face, purports to be drawn in one state and payable in another is a foreign bill of exchange. . . . If, for example, a depositor using a check on a New York bank should be travelling in California and should insert on the date line a place in California, then such check would constitute a foreign bill of exchange. . . . A check drawn and payable within the state, even though sent for collection outside the state, is not a foreign bill. . . . In a court action against endorsers of a dishonored check it is necessary for plaintiff to prove due demand of payment and notice of non-payment to the endorsers. A certificate of protest is prima facie evidence of this and thus a convenient means of proof. . . . In view of the exceedingly small number of suits on items of \$50 or less, omitting of protest saves the cost of notarial fees and passes this cash benefit on to the customer. . . . Where a bank has positive instructions to make protest, the safest course is to follow the instructions even though protest is not legally required."

The circular referred to goes into detail on all phases of the matter, even to a suggested notification to depositors. A copy of this circular can be obtained on application to the American Bankers Association.

INTANGIBLE

What financial value, if any, has the sponsoring of ball teams, etc., to a country bank?

IT is seriously doubted that any financial value could be traceable to such activities. But that does not mean that there is not a value, and a very important one. There is still a tendency among a large percentage of the public to look upon banks and bankers with a certain amount of awe as being unapproachable except by the rich. This feeling is fostered in many popular cartoons by depicting bankers as pompous silk-hatted individuals. Also there are those with ulterior motives who go out of their way to engender the thought.

Taking an interest in local sports and other activities and seeing that items of interest about the bank and its

BOOKLETS

SOUND PROOFING. *Technical Note No. 10-d*, Research Engineering Department, The Celotex Corporation, Chicago, Illinois. Up-to-the-minute information on sound insulation applying to both existing buildings and new construction.

ELECTRICAL EQUIPMENT. *Little-Known G-E Products for Industry*, General Electric Company, Schenectady, N. Y. A review and brief descriptions of the nature, purposes and applications of unusual products of the company.

AIR CONDITIONING. *"Freon-12" Economizer Systems*, York Ice Machinery Corporation, York, Pennsylvania. Describing a unit developed especially for air conditioning quarters where space is at a premium.

PRINTING. *Just Give Me One Good*

Idea, The Institute of Bank Stationers, 51 East 42nd Street, New York City. The importance of good ideas in bank printing is emphasized by the statement made in this folder that "a bank of ten million dollars uses an amount of paper equal to 500 solid blocks of billboards."

FURNITURE. *Posture Chairs*, The Harter Corporation, Sturgis, Michigan. A catalogue of the chairs manufactured by this company to combine good looks with aid to correct sitting posture.

FARM MACHINERY. *Celebrating 75 Years of Friendly Service to the Farmer*, Minneapolis-Moline Power Implement Company, Minneapolis, Minnesota. In addition to showing different machines manufactured by the company, this booklet also contains forms of "A simple Farm Bookkeeping System."

INSURANCE. *Matters of Procedure under Government Contracts* by O. R. McGuire. Obtainable from Fidelity and Deposit Company of Maryland, Baltimore, or American Bonding Company of Baltimore. Third edition of 78-page booklet giving valuable information to those interested in obtaining contracts from the U. S. Government.

FIRE EXTINGUISHERS. *What You Should Know About Fire Extinguishers*, Pyrene Manufacturing Company, 560 Belmont Avenue, Newark, New Jersey. Illustrating various approved types of hand and wheeled fire extinguishers and showing advantages and limitations of each type.

COAL. *Anthracite at the Crossroads*, Anthracite Industries, Incorporated, Chrysler Building, New York City. A uniquely prepared booklet giving "a glance at

personnel are sent to the local newspapers, all tend to dispel this feeling. They show that, after all, a bank, like any other business, is made up of human beings.

CENTRAL BOOKKEEPING

What are the proved (not theoretical) advantages of a centralized bookkeeping system for individual checking accounts? Do these advantages more than offset the possible disadvantages of depositors being further delayed in cashing checks and of branch managers' losing intimate knowledge of a customer's balance and check transactions? Some branch managers pride themselves on operating as individual units. Does not centralized bookkeeping tend to destroy that individuality?

THE greatest advantage in centralized bookkeeping lies in reduced costs, which can be very considerable. In these days of rapid private communicating systems, the contacts between tellers and bookkeepers can be almost instantaneous no matter how far apart they may be located. In fact they can contact each other and obtain as accurate information just as fast if 20 blocks away as when they are in the same building. Nevertheless if a bank has a large number of "marginal" accounts the ready accessibility to the actual ledger sheets might be very desirable for officers' information. These marginal accounts, though, are a very small minority in most banks. The tellers do

not have to look up the balances for every cashed item, or even a large proportion of them.

So far as "bank managers' losing intimate knowledge of customers balances and check transactions" is concerned, there are but few accounts that could possibly be remembered, and it is only a relative few that are ever pulled for officers' inspection. Even this difficulty could be overcome by sending the branches photostatic copies of statements needed each month.

Most objections to changes are more fancied than real. Human beings, like rabbits, prefer to run along the same

trail they have always followed. Isolated and exceptional cases will be used to show the impracticability of suggested changes. There is no reason why centralized bookkeeping should destroy the individuality of the branch if the right kind of inter-communicating system is installed. There is no system that does not have some disadvantages, but in the practical solution of present day banking problems the control of costs is very necessary. It, therefore, seems to this department that any substantial reduction of routine operating costs outweighs quite a few anticipated inconveniences.

the past, a view of the present and a look into the future" of the industry.

INSURANCE. *The Amended Social Security Act*, Connecticut General Life Insurance Company, Hartford, Connecticut. A brief outline of the old age and survivor benefits of the Social Security Act prepared for employers.

CHECKS. *Personalized Bank Checks*, De Luxe Check Printers, Inc., Chicago, Illinois. A little pamphlet citing the advantages of the low cost personalized check to both bank and depositors.

MACHINES. *Receipting-Posting Machine for Installment Accounting*, Burroughs Adding Machine Company, Detroit, Michigan. Illustrating a new low cost window machine for recording payments on passbook and ledger in the installment loan department.



PERSONALIZED HELP IN CORRESPONDENT SERVICE

Bankers for whom The Northern Trust Company acts as correspondent often comment upon the personal interest which our officers take in the connection. They are also impressed with the efficiency of our broad facilities and modern methods assuring competent representation in this territory. The complete services of this Chicago institution are available to them at all times. Your inquiry is welcome.

THE NORTHERN TRUST COMPANY

50 SOUTH LA SALLE STREET, CHICAGO

Member Federal Deposit Insurance Corporation

Bank Merchandising Keeps Up-to-Date

THE "pick-and-pay" or "serve-self" types of super-market for food buyers, illustrate the efficiency of segregating the staple or fast-moving types of business from the slower moving, where each transaction requires personal attention and a greater amount of time.

This development in retailing has had its lesson for banking and many banks have already profited by it. They have set aside special windows or counters for the relatively fast-moving types

of business, such as receiving and paying items, the payment of utility bills, the making of change and so forth. Other windows and counters are devoted to items of business which require more painstaking effort and attention and sometimes personal interviews, such as the making of loan applications, escrow deals, etc. This sorting out has resulted in reducing the number of annoying occasions when a customer wanting only to make a deposit found

himself stymied in a long line of people with slow-moving items. One bank with many small banking offices finds this one answer to part of the lobby congestion problem.

Another alteration that preserves the confidential nature of many banking conferences places officers out on the banking floor without benefit of railings or counters to separate their desk space from the rest of the lobby. It was always believed that counters and railings made for privacy; instead they usually had people leaning on them, thus bringing them within earshot of what might be a confidential conversation between officer and customer.

Elimination of the railings has resulted in people being more reluctant and considerate about coming within earshot and they consequently stay at a distance.

DEPARTMENT STORE ANALOGY

BANKS used to be criticized because they did not follow the tried and successful methods of department stores in placing their selling departments in the front and easily accessible parts of the store, keeping their buying sections in the rear or on upper floors. The analogy-in-reverse, the critics said, was the practice of banks in placing their deposit or "buying" departments up front, while the loan or "earning" departments were kept in obscurity.

This has changed in the last decade. The way the public has received the popular personal loan department, out in the main lobby or street level floor, has encouraged banks to bring their other loan or earning departments out of hiding.

SIMPLIFYING CHARGES

A FURTHER improvement is simplifying and equalizing (between large and small users) the complicated checking charges which the public has always found difficult to understand, and placing justifiable charges on excessive numbers of withdrawals from savings accounts where customers have attempted to abuse such accounts in order to avoid checking charges.

Member banks of the Cleveland Clearing House Association, for example, revised their schedules of checking account service charges January 1. First appearance of charges under the new schedule was made on February 1 or following analysis of January operations.

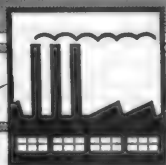
The new Cleveland schedule of three

R. G. RANKIN & CO.

CERTIFIED PUBLIC ACCOUNTANTS

Examinations
of
Banks and Trust Companies
for
Directors Committees

CHICAGO NEW YORK WASHINGTON



INDUSTRIAL BOND FINANCING has come into prominence in this country only in the past twenty-five years. During this period Halsey, Stuart & Co. Inc. has been associated as an original underwriter with 160 industrial issues aggregating over one and three quarter billion dollars and representing 37 separate fields.

CHICAGO, 201 S. LA SALLE STREET · NEW YORK, 35 WALL STREET
AND OTHER PRINCIPAL CITIES

HALSEY, STUART & CO. Inc.

classifications instead of six as heretofore is as follows:

Checks Paid

First 100 checks 5¢ each
Next 2400 checks 3¢ each
Over 2500 checks 2¢ each

Items Deposited

First 100 items 3¢ each
Next 2400 items 1½¢ each
Over 2500 items 1¢ each

All deposited items, including cash as one item, are charged for in accordance with the schedule. The 25 cent monthly maintenance charge on accounts averaging less than \$100 is continued. On accounts with average

realized balances of \$100 or more, the following allowances are applied to reduce service charges:

Average Realized Balance	Monthly Allowance
\$100 to 199	None
200 to 299	25 cents
300 and over	12½ cents per \$100

Charges of less than 10 cents per month are waived.

Only a small fraction of the savings depositors of any institution are guilty of misuse and abuse of their savings accounts, but these cause unnecessary expense to the bank.

At The Cleveland Trust Company, when savings accounts show an abnormal number of withdrawals, the depositor is notified that a charge of 10 cents will be made for each withdrawal in excess of six in any half-year period. "The depositor is asked to come in and discuss the matter," John W. Woodburn, treasurer, said, "and in practically all cases, he or she recognizes the fairness of the charge and either agrees to pay it or to reduce the number of withdrawals.

"Only a very few of our hundreds of thousands of savings depositors show a misunderstanding of the true function of a savings account. It is generally accepted that a savings deposit is for the steady accumulation of money to meet the needs of old age and emergencies or for anticipated future expenditures."

I. I. SPERLING
Assistant Vice-president
Cleveland Trust Co.

Francis A. Bonner, an official of Blair, Bonner & Company of Chicago, was recently elected chairman of the Board of Governors of the National Association of Securities Dealers



Standard ABA-Size
Deposit Slip

CURTIS NEW-STYLE BANK-BY-MAIL

envelopes are available in four sizes and fit Standard Window Envelopes

You may not want increased deposits right at the present time but you do want to make more loans, rent more safety deposit boxes and encourage more people to use your trust department services.

Many banks have found that the distribution of Curtis Bank-by-Mail envelopes to a select list of prospects has opened up scores of profitable new accounts.

We believe your NEW BUSINESS department will be interested in this item possibly a trial order.

MAY WE SEND YOU SAMPLES
AND PRICES?

CURTIS 1000 INC.
Bank Envelopes Our Specialty

342 Capitol Ave. Hartford, Conn.
1000 University Ave. St. Paul, Minn.
1814 E. 40th Street Cleveland, Ohio

Clip the Coupon and Mail To-day!

CURTIS 1000 INC. (Incorporated in Illinois)
HARTFORD-ST. PAUL-CLEVELAND

Gentlemen: Send us samples of your Bank-by-Mail Envelopes which we understand have standard size deposit slips (also larger or smaller if desired) and a new time-saving receipt form.

NAME _____

BANK _____

ADDRESS _____

THE PUBLIC NATIONAL BANK AND TRUST COMPANY OF NEW YORK

Service—Maintaining an intimate, personalized correspondent bank service.

Experience—Officials with years of service in this field, assuring a knowledge of requirements and valuable assistance.

Policy—To cooperate with out-of-town banks rather than compete for business which is rightfully theirs.



Resources over \$170,000,000

ESTABLISHED 1908

MEMBER

NEW YORK CLEARING HOUSE ASSOCIATION
FEDERAL DEPOSIT INSURANCE CORPORATION

Risk Premiums on Personal Loans

THIS bank (Marquette National Bank, Minneapolis, Minn.) began making personal loans without endorsers, co-makers, or security in June 1935. From the first, we required each borrower to pay a risk premium. We experimented with various rates from 2 to 4 per cent, and paid no refunds. We found it impossible, however, to determine upon a risk premium that was entirely safe for the bank and, at the same time, was fair to the borrower, because we lacked adequate data, and

because the losses in this type of loan in any particular year seemed to depend very largely on the course of business during the period.

When business is expanding scarcely anybody loses his job or has his salary cut and, under those circumstances, the losses are negligible. When business is contracting, on the other hand, many people lose their jobs and many more have their salaries cut. Under those circumstances defaults become numerous.

On June 1, 1938, we decided to adopt

the practice that the life insurance companies follow in the matter of their participating policies. They charge a premium that is safely more than the cost of carrying the risk and, at the end of the year, they return to the policyholder his share of the loss saving for the year. We began at that time to add to each borrower's note as a risk premium, after the interest thereon had been computed, an amount equal to 5 per cent of his loan, with the understanding that when the last payment on his note became due we would refund that part of his risk premium which had not been consumed in paying the insurance premium on his life, and in paying his pro rata share of the losses suffered in the department during the preceding 12 months.

At the end of May 1939, when the first monthly group of borrowers (231 in number) were about to make their final payments, we made the following computation:

Loss risk premiums collected.....	\$17,103.52	
Recoveries.....	2,949.72	
		\$20,053.24
Life insurance premiums paid.....	1,952.32	
Chargeoffs.....	5,127.56	
Attorney's fees.....	144.90	
		7,224.78
Loss saving.....		\$12,828.46

Since the loss saving amounted to 75 per cent of the total amount of premiums collected, we refunded to each borrower 75 per cent of his risk premium. The cost to the bank for life insurance premiums for each borrower is almost exactly one-half of 1 per cent of the original amount of his loan, or 10 per cent of his risk premium. This, of course, is not a part of the cost of the loan, because the borrower enjoys the full benefit of this insurance just as he does of any other life insurance. The actual contribution of each borrower to take care of losses was 15 per cent of his risk premium, or 75 cents for each \$100 of his loan.

The refund paid in July 1939 was 82 per cent of the premium, involving each borrower (254 in number) in an actual contribution to losses of 8 per cent of his risk premium, or 40 cents per hundred dollars of his loan.

The refund paid in August was 87 per cent of the risk premium (total advances, 228); in September 88 per cent (total advances, 238); in October

IN THE *Morning Mail*
from an increasing number
of banks who are getting
prompt, interested service
on Atlanta Items

FULTON NATIONAL
ATLANTA *Bank* GEORGIA

Close Contact with the
Majority of
Michigan's Important Industries

☆

**NATIONAL BANK
OF DETROIT**

DETROIT, MICHIGAN

Member Federal Deposit Insurance Corporation

88 per cent (total advances, 294); in November 90 per cent (total advances, 288); in December 88 per cent (total advances, 245).

CLASSIFYING THE RISKS

WE are looking forward to beginning in the near future the classification of these risks. We shall probably continue the 5 per cent premium for "standard" risks; create a new group of "preferred" risks with a premium charge of about 2½ per cent, and a "substandard" group with a risk premium of about 7½ per cent.

This "standard" group would include most of our present type of borrowers. The "preferred" group would contain the top portion of our present type of borrowers, together with a group of business executives and professional men whom we are now reaching. The "substandard" group would be made up of risks which we are now declining, and which are being served by small loan companies, and by co-maker loans.

The plan is built upon the theory that the borrowers must pay: first, a moderate rate of interest for the use of the funds; second, the cost of performing the service, and third, the actual losses.

Our interest charge is 3 per cent per

annum on the whole sum for the whole time, which is approximately equivalent to 5¾ per cent per annum on the net reducing balances. Our service charge is a flat charge of \$5 without regard to the size of the loan. It doesn't quite cover the actual cost of servicing these loans but we are hopeful that as our volume increases it may.

The loans are limited to \$750, and were originally limited to 12 monthly payments, but we are now spreading payments over 18 months, also.

RALPH W. MANUEL, *President*
The Marquette National Bank
Minneapolis, Minnesota

Personal Loans For Mutuals

THE mutual savings banks of New York State have taken steps toward an expansion of their services in the form of personal loans and bank money orders.

A bill has been introduced in the state legislature to permit the banks to lend up to \$500 for not more than 15 months. The maximum rate permitted would be 12 per cent true interest and no provision is made for discounting the notes. Any savings bank could make such loans up to a total of 1 per cent of its deposit liability.

The legislation, sponsored by the Savings Banks Association of the State of New York, does not differ fundamentally from legislation permitting commercial banks in New York to make personal loans, the association explained in a statement.

"The proposed rate is the same for commercial banks with the exception that the latter are permitted to discount the notes. The term of 15 months is the same except that commercial banks are allowed a three months' grace period. The limit of the amount to be loaned to a single individual is considerably lower than that of commercial banks which permits a maximum of \$2,500."

A committee has been organized to study the money order plan. This would call for the sale of the orders by savings banks, the orders to be issued by the banks against their own deposits with the Savings Banks Trust Company, the mutuals' central institution. The charge for each accommodation would be about 10 cents.

Gustave Bottner, Jr., controller of the Dry Dock Savings Institution of New York City, is chairman of the committee.



**It's as
easy as this!**

At New York's Grand Central Terminal just toss your bag to a porter and say "Hotel Roosevelt" . . . He'll escort you through our private passageway, direct to the Roosevelt lobby . . . Time-saving convenience and complete comfort . . . Satisfying meals . . . Restful rooms, from \$4.50.

**HOTEL
ROOSEVELT**

BERNARD G. HINES, *Managing Director*
MADISON AVENUE AT 45th ST., NEW YORK

March 1940



**NATIONAL UNION
FIRE INSURANCE
COMPANY**

PITTSBURGH, PA.



THIRTY-NINE YEARS
OF
HONORABLE DEALING

In Washington, D. C.
THE AVENUE TO

COMFORT

PENNSYLVANIA
AVENUE'S

**WILLARD
HOTEL**

rest in an atmosphere of
modern comfort and ap-
pointments.

rest by shortening the dis-
tance to sight-seeing
points and lengthening
your time at each. . .

For folder, write
"The Residence of Presidents"
H. P. Somerville, *Managing Director*



THE SHIELD OF SECURITY

Financial institutions today have more property in their charge than ever before. Executives responsible for the proper protection of this property know that it is secure when insured in the companies of this group.

THE London & Lancashire GROUP

THE LONDON & LANCASHIRE INSURANCE COMPANY, LTD. • ORIENT INSURANCE COMPANY • LAW UNION & ROCK INSURANCE COMPANY, LTD. • SAFEGUARD INSURANCE COMPANY OF NEW YORK STANDARD MARINE INSURANCE COMPANY, LTD. (FIRE DEPARTMENT) LONDON & LANCASHIRE INDEMNITY COMPANY OF AMERICA

EXECUTIVE POSTURE CHAIRS



Help Busy Men Avoid Fatigue

THIS message about Harter Chairs and good posture is especially directed to business executives, professional men and office workers in general.

Health authorities agree that correct posture is highly desirable, from the standpoint of physical well being. They declare that correct posture helps avoid fatigue and increase efficiency.

Harter Posture Chairs are designed to make good sitting posture easy and natural—to encourage desk workers to sit erect and comfortably relaxed. They also offer support where it is most needed—at the small of the back.

There is a Harter Posture Chair for every type of seated work—for executive, office or factory use. Write for catalog. The Harter Corporation, Sturgis, Michigan.

HARTER

CITY OF INDUSTRY

Industrial development in the Mid-South is making Memphis an increasingly important point to banks throughout the country. The First National's service is keeping pace with this growth.

THE
FIRST NATIONAL
BANK OF
MEMPHIS
MEMPHIS, TENN.

SINCE
1864

BANKING'S Advertisers March 1940

Allen Wales Adding Machine Company.....	Cover IV
American Telephone & Telegraph Company.....	13
Anaconda Copper Mining Company.....	77
D. Appleton-Century Company.....	16
Bankers Trust Company.....	8
Berkshire Mutual Fire Ins. Co.....	6
Brown Company.....	66, 67
Burroughs Adding Machine Company.....	57
Central Hanover Bank and Trust Company.....	75
Chase National Bank.....	104
City National Bank and Trust Company of Chicago.....	102
Commerce Clearing House, Inc.....	63
Commercial Investment Trust, Inc.....	6
Continental Illinois National Bank and Trust Co.....	73
Coward-McCann, Inc.....	16
Curtis 1000 Inc.....	81
De Luxe Check Printers, Inc.....	5
Detroit Bank.....	Cover II
C. J. Devine & Co.....	9
Douglas-Guardian Warehouse Corp.....	17
Ediphone, The, Thomas A. Edison, Inc.....	14
Fidelity and Deposit Company of Maryland.....	18
First National Bank of Chicago.....	65
First National Bank of Memphis.....	84
Fulton National Bank.....	82
General Electric Co.....	98
General Motors Acceptance Corporation.....	10
Great American Insurance Co.....	69
Halsey, Stuart & Company, Inc.....	80
Harter Corporation.....	84
Home Insurance Company.....	86
Hotel Roosevelt, New York City.....	83
Improved Risk Mutuals.....	68
International Business Machines Corp.....	97
Investors Syndicate.....	4
Geo. LaMonte & Son.....	2
Lamson Company, Inc.....	59
Lawrence Warehouse Company.....	70
London & Lancashire Group.....	84
Macmillan Company.....	16
Marine Trust Company of Buffalo.....	72
Maryland Casualty Company.....	7
George S. May Company.....	Cover III
Millers National Insurance Company.....	9
National Bank of Detroit.....	82
National Union Fire Insurance Co.....	83
Northern Trust Company.....	79
Pennsylvania Railroad.....	101
Philadelphia National Bank.....	12
Public National Bank and Trust Co. of New York.....	81
The Purse Company.....	76
R. G. Rankin & Co.....	80
Recordak Corporation.....	46, 47, 48
Remington Rand, Inc.....	103
Royal Bank of Canada.....	10
Standard Accident Insurance Company.....	74
Standard Statistics Co., Inc.....	11
Frederick A. Stokes, Inc.....	16
The Todd Company, Inc.....	61
Waldorf-Astoria Hotel.....	102
Willard Hotel, Washington, D. C.....	83

BANKING

BANKING'S DIGEST—MARCH 1940

A Nationwide Report of Outstanding Speeches and Comment

Letting George Do It	A. L. M. WIGGINS	87	Our Greatest Enemies	FITZGERALD HALL	92
Knowing Your Banks	D. J. NEEDHAM	88	Yale's Investment Formula	LAURENCE O. TIGHE	93
When Two and Two Are Zero	DAVID E. LILIENTHAL	88	A Word for Preferred Stocks	ROBERT S. DREW	93
The Permanence of Our Gold	MONTFORT JONES	88	Instalment Paper in a Small Town	FRANK P. POWERS	94
No Rabbits or Silk Hats	JEROME N. FRANK	89	After 150 Years	CHARLES E. HUGHES	94
Vice-president in Charge of Handshaking	ELMO ROPER	89	Three Errors of Omission	ROBERT G. RODKEY	95
Improving Monetary Management	W. RANDOLPH BURGESS	90	Problems Far From Solved	ARTHUR A. BALLANTINE	96
Swept and Garnished Assets	LEO T. CROWLEY	91	The Stuff Taxes Are Made Of	KARL T. COMPTON	99
A Tip from the Filling Station	W. C. RAMPFER	91	A Bank's Bond Portfolio		
Essential Liberty	ROLAND E. CLARK	92	ROBERT L. GARNER, ADRIAN M. MASSIE, JOSEPH E. MORRIS	100	
A Cat That Chases His Tail	HARLEY L. LUTZ	92	A Rule of Thumb on Time Deposits	STEPHEN M. FOSTER	102
What Bonds to Buy	JAMES C. SHELOR	92			

Briefly

I HOPED that Russia would work out its own problems and that their government would eventually become a peace-loving, popular government which would not interfere with the integrity of its neighbors.

That hope is today either shattered or put away in storage against a better day. The Soviet Union, as a matter of practical fact, known to you and known to all the world, is a dictatorship as absolute as any other dictatorship in the world. It has allied itself with another dictatorship and it has invaded a neighbor so infinitesimally small that it could do no injury to the Soviet Union, and seeks only to live at peace as a democracy, and a liberal, forward-looking democracy at that.—President ROOSEVELT.

OUR front line is not on the Rhine, nor is it anywhere in France. It is at the farm gate and at the factory door.—Representative JOSEPH W. MARTIN, JR., *Minority Leader of the House*.

THE United States today is suffering from an overdose of reform and a dearth of the good old-fashioned common sense upon which the greatness of this nation was founded. That homely virtue, economy, the cornerstone upon which the prosperity and happiness of our nation was built, is once more challenging the thought and action of our public officials. All attempts to discard it have failed.—PERCY H. JOHNSTON, Chairman, Chemical Bank & Trust Company, New York.

A TOTAL war—which certainly cannot be long in breaking out—demands a formidable quantity of arms and munitions. It therefore has been necessary and still is necessary to manufacture them ceaselessly.—Premier DALADIER.

WE have seen in this country a great program, undertaken in the name of liberalism, become transformed into a program which is the opposite of liberalism—a program designed to centralize power in one authority. The concentration of power in the Federal Executive is the one dominant fact in our current situation about which there can be no disagreement.—WENDELL WILLKIE, President, Commonwealth & Southern Corporation.

THE building of good customer relations is two-sided—it is not just a matter of getting the customer to understand us better, but also a matter of getting a better understanding of the customer.—HENRY G. WEAVER, *Director of Customer Research, General Motors Corporation*.

THE Four Horsemen of the Apocalypse have now become nine. The new cavalry are:

Imperialism, the destroyer of the independence of nations;
Intolerance, the destroyer of minorities;
Statism, the destroyer of personal liberty;
Atheism, the destroyer of faith;
And Hate, the destroyer of the unity of mankind.

After them ride War and Death. And finally there sweep Famine and Pestilence.

I need not tell you they are on the march when two-thirds of the people of the world are at war.—HERBERT HOOVER.

YOU can no more rip the philosophy of the New Deal out of future American life than you can rip out the philosophy of the Emancipation Proclamation or the strong doctrine of the Declaration of Independence.—Attorney General ROBERT H. JACKSON.

OUR fleet, even when augmented by all ships now building or ordered, plus all ships authorized but not yet appropriated for, will still be inferior to the combined strength of possible enemies. Theoretically to be secure we should build to superiority over the strongest likely enemy coalition. Theoretically we should build to sustain a 5-3 ratio in the Pacific and a 4-3 ratio in the Atlantic over the combined naval strengths of our possible enemies. Theoretically the sea power of England and France must be reckoned with. Theoretically our navy must be based on its ability to stand alone.—CHARLES EDISON, Secretary of the Navy.

CERTAINLY there is a queer inconsistency between our ardent desire to give embattled Finland every possible assistance and our continuous purchase of any or all gold mined in Russia, which is now the world's second largest gold-producing country.—Senator TOWNSEND of Delaware.



Fire burns a bargain lease!

And down goes this firm's margin of profit as it is driven out of low-rental offices no longer tenable. For office space elsewhere, prevailing rentals rule and, as is often the case, the firm is at the mercy of higher values.

As a result of this red ink addition to fixed charges, operating expense sheets must be re-figured. Over the ensuing months, or even years, estimates of net income must be shaved a little closer . . . erased, sometimes.

Loss like this is a calamity to the business whose margin of profit is based upon an advantageous long lease that may be canceled by a "fire clause". Today, by a supplementary attachment to the regular fire policy, leasehold interests can be made hazard-proof.

Leasehold Interest insurance is one of the coverages offered by THE HOME to protect *invisible* values so often destroyed by hazard. Our agents in your city will gladly explain how its advantages apply to lenders interested in concerns operating in leased quarters.

THE HOME INSURANCE COMPANY NEW YORK

FIRE — AUTOMOBILE — MARINE and ALLIED LINES OF INSURANCE

Letting George Do It

A. L. M. WIGGINS, President, Bank of Hartsville, Hartsville, S. C., and Chairman, A.B.A. Committee on Federal Legislation, before the Association's MID-WINTER TRUST CONFERENCE.

PHILOSOPHIES of government have been translated into laws in recent years that have had as their effect the destruction of opportunity for a trust officer to secure the results in the administration of the trust that the maker had in mind at the time the trust was created. It is not my intention at this time to discuss such legislation, whether good or bad,—I am merely trying to bring home to you, who are charged with the responsibility of the administration of trust business, your special obligation as trustees not only to know and to evaluate legislation and legislative trends in terms of the trusts with which you are charged, but more than that, you have a positive duty to help create legislation or to help defeat it, if it represents policies of government or programs of political parties that now or in the future may seriously affect the integrity of the trusts you administer.

It seems to me that we have now reached a point in this country when we should carefully re-examine the legislation of recent years. We should take a fresh look at the policies and programs of government; we should examine and evaluate not only the objectives but the results. We should approach this study as students and not as critics, as citizens, not as bankers. We will find, no doubt, something good and something bad. We will find, I am sure, some ways in which we have taken but a few steps and should go further; we will also find that we are traveling some broad highways that at the time we entered, appeared most inviting, but which now seem to lead to disaster.

IN AN ELECTION YEAR

THIS is an election year and we find both parties crisscrossed with conflicting opinions, with some Republican leaders trying to out-deal the New Deal and with some Democratic leaders, outspoken disciples of old time conservatism, and with both parties simultaneously worshipping at the shrines of Thomas Jefferson and Alexander Hamilton. We may expect a confusion of issues, smoke screens to hide nebulous programs, and a general bewilderment of the average citizen. At the same time, these efforts should stimulate sound thinking and give opportunity for an honest evaluation of programs and policies, and better enable the student of government to discover the course on which this nation is moving.

The year 1940 is the year of challenge to the citizen banker, the citizen businessman. Political results this year may determine the course of events in this nation and the kind of government under which we will live and the social and economic order that will prevail more than in any other year in the past 25.

What part will the banker, the businessman play in charting the course of government? Will he disdain to soil his hands in the hurly-burly of political conflict? Will he retire behind a screen of silence and lift no voice and write no word in defense of principles and policies of government that mean the preservation of all that is dear to him? Will he let George do it?

In all likelihood, he will. And he may be sure that George will do the job, and to his own liking. He will elect the officials, enact and administer the laws, determine the policies of government, levy the taxes, and spend the money—to

suit George—and then when some obnoxious bill is before Congress, the banker will write to his Congressman—no, he will not write to his Congressman because he is not acquainted with his Congressman; he didn't vote for him—in fact he didn't vote at all—and so he won't write to his Congressman, but he will write to the Legislative Committee of the A.B.A., and in his icy fury will politely inquire if said committee is dumb or dazed or dead, to permit such vile legislation to be perpetrated upon the innocent heads of the banking fraternity and of the nation.

My letter files bear testimony to the truth I speak.

A.B.A. Legislative Efforts

I WOULD like to make a brief comment on the legislative efforts of the A.B.A. through its Committee on Federal Legislation. It should be clearly understood that the A.B.A. does not operate through any high powered or professional lobby in its legislative efforts. Our contacts with representatives of government are direct, straightforward and dignified. Our contacts are largely through individual bankers who give their time, thought, and services without compensation. Our policy with respect to legislation is co-operative and constructive. We oppose no measure which honestly seeks to promote the general welfare of the people even though its requirements may prove burdensome to banks. We favor no measure that profits the banks at the expense of the nation. We sit around the table with government and bend a common effort to find solutions to problems affecting banks and government. We seek no special favors. As a result of these policies and methods, the representatives of the American Bankers Association enjoy the confidence of Congressional and Administrative authority in Washington.

The Washington office of the A.B.A. is a clearinghouse of banking and legislative information available not only to bankers but to any government official who desires information with respect to banks and banking. The office of the Association in Washington is conveniently located and members of the Association are invited to use it as their headquarters any time they are in Washington. It is in charge of our genial and efficient General Counsel, D. J. Needham, and his assistant, Jerry Brott. Both of these men are available for consultation at all times.

The Committee on Federal Legislation welcomes the counsel and advice of bankers at all times. Our problems are varied and difficult and the help of the entire banking fraternity is needed in carrying on successfully the work with which we are charged. From time to time the individual bankers are asked to perform some specific service. Without exception, they have responded and in many cases at considerable personal sacrifice. All of you can cooperate by alert attention to legislative developments and by constructive criticism and suggestions to the Committee.—Mr. WIGGINS.

Poland is immortal.—IGNACE JAN PADEREWSKI.

The fighting troops are a very small part of this conflict.—NICHOLAS MURRAY BUTLER.

I love my country better than I love the Democratic party.—JAMES A. FARLEY.

Knowing Your Banks

D. J. NEEDHAM, General Counsel, American Bankers Association, before the MISSOURI BANKERS CONFERENCE.

THERE is reason to believe that the entire banking framework of the country may be brought under scrutiny in the not too distant future. It may even be that the dual system of banking which has been the bulwark of the banking structure will be questioned. It is of the utmost urgency that you and bankers everywhere know your banks.

This does not mean a knowledge of cold facts and figures alone. It requires a careful and intensive study of their meaning both in relation to the interests and welfare of your communities and of the nation and the banking system as a whole.

The American Bankers Association and your state association are no stronger than their weakest link. Each and every one of you may be called upon at some time by the officers of your national or state associations for aid in defending the very existence of your banks from the attacks of those who would remodel our banking system along untried lines.

Unless every banker is prepared to show the important part his institution has played in the life of its community and how its functions and operations have been constantly improved and developed in order to best supply the varied needs for banking services, it will be difficult to combat the persuasive arguments of those who would abandon our present system and who favor embarking on an unknown course.

When Two and Two Are Zero

DAVID E. LILIENTHAL, Director, Tennessee Valley Authority, before the COLUMBIA UNIVERSITY GRADUATE ECONOMICS CLUB.

SOMETIMES you may add two and two and get zero. Thus technical research in the processing of farm raw materials, without regard to the life of the soil from which the raw materials come, may result in an exhaustion of the soil. That may mean the early death of the manufacturing operation which relies upon those farm raw materials. The desolate, abandoned sawmill towns of Northern Wisconsin and Michigan, in the midst of cut-over forest land, are a bitter demonstration that the addition of an industrial operation and a great natural resource may, if coordinated planning is absent, prove that two and two sometimes are zero.

An agency responsible for the general increase of economic well-being in a region is under a duty to see that such two activities as these are carried on so they will not cancel out each other, but will, by integration, add a plus value.

Likewise, an agency, public or private, whose sole responsibility is to supply electricity to farmers, might push as hard as possible for an increase in electric revenues regardless of how the farmer used the power. The TVA, having not only a business responsibility for rural electric revenues but an even greater public responsibility for regional security is not free to concentrate alone on building up revenues. The pressure on farmers to pay the electric bill for conveniences might mean less funds available for the protection and increased fertility of the soil.

Accordingly, the TVA's emphasis in its electric load building has been upon those uses of electricity which will increase the income of the farmer and substitute in the farmer's budget added income from electricity.

I could list innumerable examples of such activities engaged upon by TVA in its integrated program. They illustrate my point, I believe, that TVA's contribution to expanding economic opportunity is infinitely aided by its character as a regional planning agency and by the kind of administrative practices it encourages.

The Permanence of Our Gold

MONTFORT JONES, Professor of Finance, University of Pittsburgh, before the Midwinter Meeting of the WISCONSIN BANKERS ASSOCIATION.

AS the present excess of banking funds and low money rates are primarily the result of the inflow of gold, the permanence of this gold stock and the reserves which it has created is a significant question.

A return of some of the foreign capital now seeking refuge in this country would result in gold withdrawals, but this will not occur during the war and we are likely to see continued imports on a substantial scale. If the war lasts a long time and foreign capital in this country is assembled by belligerent governments to pay for purchases here, we will hold most of the gold free from foreign claims. The gold imports which represent our favorable trade balance and the

return of American capital from abroad are already held free from any such claims.

After the war we could lose gold as a result of an adverse trade balance or large investments abroad, but neither of these appears likely at the present time. It seems quite probable that we will have our vast credit base for a long time.

The present gold stock and excess reserves seem likely to continue and to remain in excess of any demand for credit which can be reasonably expected. Only a credit expansion of inflationary proportions could absorb enough of the present surplus funds to materially affect interest rates.

At the moment the supply of funds seems likely to remain very large relative to the demand and it is difficult to find anything in the picture to suggest materially higher interest rates. The two factors most likely to alter the situation would be an early peace or American participation in the war.

No Rabbits or Silk Hats

JEROME N. FRANK, Chairman, Securities and Exchange Commission, before the AMERICAN MANAGEMENT ASSOCIATION.

WE will not be cracking down on the holding companies. We will not be applying a death sentence to the utility industry. We will be carrying out the carefully planned Congressional purpose of rejuvenating local utility management.

You will undoubtedly read in the press charges that we have begun a political campaign. When you read such nonsense, don't believe it. There will be a lot of comment that we are setting out to destroy the investments of innocent investors. But we are not magicians. We cannot destroy a second time what financial trickery or folly of the past has once destroyed. Neither we nor the present holding company managements can bring back to life value that was stillborn or stifled in the financial whirlpool of the mad Twenties. We wish we could, and I know that responsible modern management wishes so, too.

Our task will be the long, hard job of aiding those investors whose securities still have real value and restoring the public's faith in the future of one of the most important industries in the country, an industry which Congress, and we, as the servant of Congress, are most eager to see expand and develop. I sincerely believe that in this task we shall have the valuable assistance of most of the holding company and public utility executives.

Many of the holding companies were created overnight, by the magic-silk-hat act of some reckless investment bankers.

But our job is not of that kind. We have no rabbits and no silk hats. Ours is a slow, tedious process which will take years. In the very wording of the statute, Congress directed that we should work out integration slowly and painstakingly.

There will have to be long days of hearings and many days of conferences. There will be time for the filing of briefs and time for oral arguments and time for careful deliberation on the part of the commission before any holding company system can be properly directed as to how it should integrate.

And let me remind you at this point that all through these proceedings we will be relying upon the testimony of the management and the bankers for the particular holding company under scrutiny. They will have ample opportunity to express any views and make any suggestions which they deem advisable. We want these suggestions. And not even when we have reached that part of the journey where integration orders are entered, will we be through. Congress specifically provided that companies affected by our integration orders should have at least one year after they have been issued in which to comply. And the companies will have the unhampered and unquestioned right to have the courts decide whether our orders are in accordance with the statute and are based upon substantial evidence.

Vice-President in Charge of Handshaking

ELMO ROPER, Economic Statistician, before the A.B.A. MID-WINTER TRUST CONFERENCE, reporting the results of a survey of public attitude toward trust services.

IT is difficult to summarize the results of such a study in a few words. If such a summary had to be made, I think I should say that you were probably less warmly regarded by those people with whom you are apt to be doing business than you would like to see yourselves regarded, but that, on the other hand, you are less widely damned than at least some of you feared you might be.

I should like to give a verbatim account of excerpts from an interview with a respondent whose opinion I respect:

"Banks don't realize they're in the business of dealing with people. They have the attitude that they're in the business of dealing with money, and that money talks. There's nothing about a bank, its advertising, its appearance, the attitude of its officers and employees, that is warm and appealing. Rather, banks are cold and forbidding, and people

don't understand them or like them. This is true of banks, be it in relation of a \$100 loan or a \$1,000,000 trust fund.

"Instead of having a vice-president in charge of saving paper clips at a saving of \$40 a year, they should have a vice-president in charge of handshaking; but at the end of the year they couldn't translate on to paper the amount of money made by shaking hands with customers and prospective customers, so it wouldn't be within the grasp of banks to understand this."

I do not offer this quotation as being typical of the attitude of those people we interviewed, who are, by the way, people whom you might have reason to suspect of being most friendly to you.

But I do say that such an attitude exists in too many places for comfort or equanimity, and that so long as it exists with any frequency at all, there is as yet no room for complacency on the part of bankers, despite the gratifying improvement in the way in which they are regarded as compared to several years ago.

THEY wanted war. They shall have it.—Chancellor HITLER.

I THINK the conclusion is pretty sound (leaving aside the special problem of some of the weaker institutions) that railroad bonds should not be sold at these levels.—EDWARD H. LESLIE of Wood Struthers & Company, New York.

IT is no accident that the autocratic Hohenzollerns and Romanoffs produced a Hitler and a Stalin, while popular government produced a Lincoln.—ALFRED M. LONDON.

PUBLIC relations are what you are, and not to be confused with publicity, in which you say what you are. The performance and fact precede the publicity. It is the substance rather than the form.—LEE H. BRISTOL, Vice-president, Bristol-Myers Company.

No matter on what you may disagree with him [President Roosevelt], he is now a symbol of confidence whose loss of symbolic value would now make all agreements and disagreements utterly unimportant.—Secretary ICKES.

Improving Monetary Management

W. RANDOLPH BURGESS, Vice-Chairman, National City Bank of New York, before the CONNECTICUT BANKERS ASSOCIATION.

WE cannot, if we would, turn back to the simpler monetary system of the past, and I doubt if seriously we would. The alternative seems to me to explore the possible means by which the management we have might be safeguarded and improved.

Let me suggest briefly some of the more promising avenues for exploration.

1. *Limit and Simplify Management.* First, we should consider ways in which the problem of management may be simplified both by narrowing the area within which decisions must be made and embodying in the mechanism such checks and limitations upon unsound practices as are feasible.

The first and most obvious move in this direction is to repeal some of the legislation for dealing with emergency conditions now past, which now have the double effect of confusing and complicating the problem of monetary management and of impeding the restoration of confidence. Since a number of these laws provide for administration by the Treasury they divide authority for monetary policy between different arms of the Government, with almost inevitable resulting confusion. There is clearly no longer need for the provision authorizing the issuance of unsecured greenbacks, and there never was any sound economic reason for the silver legislation.

With respect to the power to devalue gold and to deal in gold or buy securities with the stabilization fund, there is more room for difference of opinion, especially in view of the continued unsettlement of world finance. It must be recognized, however, that as long as these powers exist in the Treasury the responsibility for monetary policy is divided.

BACK TO FREE GOLD

THE return to a fixed gold parity, supported by free movements of gold, would simplify this problem, and would be something of a safeguard and restraint in that it would make over-expansion, the use of inflationary devices, or long continuance of unbalanced budgets less easy. For policies of these sorts tend to result in gold movements. The gold standard is a little like a fever thermometer. It sometimes frightens you unduly and at the wrong time, but it is usually helpful, and smashing the thermometer is a dangerous way to deal with a fever.

I am inclined to agree with Mr. Aldrich [Winthrop W. Aldrich, chairman of the Chase National Bank] in advocating going the whole way and putting gold in circulation as a means toward restoring confidence in money and making still more difficult in the future changes in its gold value. In the long term history of money such changes have been made more frequently for political than for sound economic reasons.

With our present strong gold position we can afford to lead the way. I see no important advantage in delay. In those areas of the world where trade is still possible we shall be in a much stronger position to advocate and assist in achieving that currency stability which is essential to trade if our own position is definitely assured. Such action is a logical part of any program for lowering trade barriers.

We should, however, have no illusions that the restoration of the gold standard would eliminate management. With our present huge gold supply we must still have management,

but the area for management would be somewhat narrowed and responsibility would be less divided.

As to the more permanent establishment, question might be raised as to limiting and simplifying certain powers of the Reserve System. As a protection against possible abuse, there is much to be said for a limitation, such as is in force in a number of other countries, on the amount of Government securities the System can hold. The power over reserve requirements needs much study. In the face of enormous excess reserves, the power to increase reserve requirements should probably be continued and enlarged. On the other hand, the power to reduce them once they are raised is a horse of another color. Changes in reserve requirements are a method of adjusting to a new gold situation, and clearly should not be used as a current operating mechanism.

2. *Improve Management.* The prime essential is to improve over a period of years the experience and capacity of the people who exercise powers of money management. To some extent this will take place naturally: the managers are today more experienced, more aware of their function than they were a few years ago. But there are serious faults in the setup.

SUPREME COURT COMPARISON

THE best way to bring this out is perhaps to compare our money management board with the Supreme Court. The Reserve Board exercises powers no less important for the well-being of the people than the Supreme Court, but the provisions for getting the best personnel are far less good. Supreme Court justices receive \$20,000, which is too little, appointment for life, and may retire on full pay. A Reserve Board member receives \$15,000 with no retirement allowance, and must retire on completion of his 14-year term. That is a serious block to getting the best men. There is no legal geographical limitation on Supreme Court justices, but good men have often been unavailable for the Reserve Board because not more than one may come from any Federal Reserve District. Every member of the Supreme Court is a lawyer with years of legal experience behind him; but membership in the Federal Reserve Board must by law provide for representation of the financial, agricultural, industrial and commercial interests. It is not required that every Reserve Board member shall have had experience in finance. These rules have meant that in many cases the best men in the country could not be appointed, and even when very good men were appointed many of them did not have the particular training or capacity to fit them for one of the most exacting and important responsibilities in the country.

I have long thought that the System might be strengthened by a provision under which a number of the members of the Reserve Board would be presidents of Reserve banks, serving in rotation, receiving their salaries as presidents and continuing on the pension system. It would assure a body of practical experience on the Board, would be valuable training for the presidents and make their work more interesting, and would improve the relations between the Board and the Reserve banks.

Of course we must all recognize that this question of the organization of the Reserve System is a political as well as a monetary question, and it is mainly for that reason that the suggestions I have just made are very hard to carry out. Central banking is so vital to the public interest that there must be assurance that no private interests and no section of the country can control it. Its action, moreover, is so related

to the whole economic program of the Government that complete independence from the executive is difficult, especially in periods of emergency. And yet the political atmosphere is not one in which central banking does well. For as we have said, the decisions to be made are hard and often have painful immediate consequences, especially when the job to be done is to check over-expansion. Politics does not like to make that kind of decision, or to take the consequences. Thus the central banking system has the double responsibility of cooperating with other agencies of government, while at the same time preserving a certain freedom and independence of action. It is a tightrope kind of job.

This again calls for the finest personnel, equipped for the task by both experience and tradition, whose opinions will command the respect of both the political authorities and the public. With our new understanding of the nature of the work to be done it seems to me clear that the present provisions of the Federal Reserve Act bearing on the organization and personnel of the top control of the System need overhauling.

3. *Support Management.* We might well ask the question what our own responsibility as bankers may be in these

matters. One principle seems clear. It is that monetary management deals with a constantly changing problem in public psychology, and its success will depend upon a public understanding of its objectives. The only way the law and organization of money management can be changed is with the support of public opinion. That is where our job comes in, and we shall get as good monetary management in this country as the bankers really want badly enough to work for.

We are doing something about that through the American Institute of Banking, the Graduate School of Banking, and the research programs of the American Bankers Association and the Reserve City Bankers Association.

Our second task is to furnish leadership for public opinion on these financial questions, and on this task I fear we should all admit we have not made much progress. We have been busy with some very pressing problems of our own, and, moreover, the public has not been exactly clamoring for our views. Time is gradually changing that situation. The public is more ready to listen when we have something to say. From here out it looks as though the future of our profession would be largely up to us.

Swept and Garnished Assets

LEO T. CROWLEY, Chairman, FDIC, before the Midwinter Meeting of the Wisconsin Bankers Association. (In Mr. Crowley's absence his address was read by FORBES CAMPBELL, special assistant to the FDIC Board.)

OUR banking system and the credit currency it produces are so constructed that general liquidation of the system is impossible. Liquidation of even a sizable segment of the system's assets has never been accomplished without loss. I believe, therefore, that the banker's choice of assets should be governed less with a view towards liquidation of the assets in time of crisis, and more by consideration of factors which make the assets fundamentally good if held to maturity.

This statement naturally arouses speculation as to what steps can be taken to make forced liquidation unnecessary and so to avoid penalizing those who give only secondary thought to the emergency liquidating possibilities of bank assets. In previous addresses and in different contexts I frequently have outlined the steps I believe necessary to this end. They are responsibilities of bankers and government.

Government must undertake to minimize crisis demands by deposit insurance and by measures designed to limit inflationary and deflationary influences; it must supervise banks in a way that will keep the system constantly cleared of its deadwood and constantly mindful of the need for quality in assets; it must provide facilities that will accept all sound assets at par or face values as collateral for cash advances in order to permit banks to meet occasional emergency demands without loss to them and without accelerating deflation through liquidation.

With the banker rests responsibility for the selection of assets of good quality, adequately diversified, and for management of those assets in a way that will insure their eligibility as collateral should an emergency arise.

Clean houses, stocked with assets that are dusted off and sorted out regularly, should never again have to fear being dragged to ruin by their less careful and tidy neighbors. Those slovenly neighbors, unmindful of their debt to the system as a whole, can be sure of unremitting attention from supervisors.

A Tip from the Filling Station

W. C. RAMPFER, President, South Dakota Bankers Association, before the ASSOCIATION'S GROUP MEETINGS.

LET me urge you to keep a continuous record of your operations by schedules, ratios, graphs or charts, so that you will know at all times just what your operating trends are, where you can increase your earnings, or what is more to the point, reduce your unnecessary overhead. Simple schedules do not require much time or effort and they are certainly worthwhile.

And please get rid of the notion that it is good public relations to give free services or that the public loves you for giving them away. When you give something for nothing to the average person, he instinctively thinks you took it away from someone else or are expecting to get it back from him later in a different and perhaps underhanded way.

Make your charges uniform, and make no exceptions. If you do, very soon the exception will be the rule.

Operate profitably and lay up reserves against the day when you will need them. Operate the way the filling station does,—give free air and free water, but charge for everything else!

Here are excerpts from several of the addresses at the MID-WINTER TRUST CONFERENCE of the American Bankers Association.

Essential Liberty

ROLAND E. CLARK, Trust Division President, and Vice-president, National Bank of Commerce, Portland, Maine.

THE domestic situation in our own country gives us cause to fear that we may fail to preserve our long cherished right of individual initiative unhampered by undue governmental regulation and administration, and also fail to keep our time-honored form of government by legislation enacted by representatives of the people, thus resulting in a government by executive decree and subject to the whim of bureaucratic administrative officers.

Our entire social, economic and financial life has undergone in the past few years an astounding change. Any clear thinking trust man will acknowledge that many of these changes were advisable. On the other hand, many of them endanger our system of democracy. They threaten our historic rugged individualism without which this country would never have attained its present status and which is still so necessary. They have impinged themselves upon almost every facet of the administration of our fiduciary business.

Our business and other forms of industrial life in this country have in recent years perhaps hastened too readily to the fountain head of governmental legislation and regulation to obtain help in their problems.

Benjamin Franklin once said, "They that give up essential liberty to attain a little temporary safety deserve neither liberty nor safety."

May it not be possible that in our haste to obtain what may later prove unnecessary relief and assistance, we gave up some form of essential liberty? Should we not have made a more energetic effort to solve our problems ourselves and have appealed to the understanding which is existent in the American people, rather than to the Government?

A Cat That Chases His Tail

HARLEY L. LUTZ, Professor of Public Finance, Princeton University.

WE have before us the outlines of a beautiful, vicious circle. We are told that we must continue the deficit now in the hope of raising the national income to \$80,000,000,000. If and when that level is reached, the spending effort will have carried the Federal budget into new high levels and we shall then be told that the tax system cannot produce enough revenue to balance the budget while the national income is only \$80,000,000,000, but that it can do this when the national income is up to \$90,000,000,000.

If we allow this particular cat to keep on chasing its tail the taxes that can be collected from a \$90,000,000,000 national income will not suffice to cover the kind of spending program that was launched to build us up to the \$90,000,000,000 income level and we shall be told that the government is shooting at \$100,000,000,000, where it hopes to balance the budget.

This kind of logic belongs in the same class with theories of perpetual motion and bootstrap levitation. There is no ques-

Heard at the Mid-Winter

tion that the nation can develop a productive capacity which will result in a national income of \$90,000,000,000 to \$100,000,000,000, computed at current price levels.

To do this, however, will require a volume of capital and an intensity of entrepreneurial direction greater than anything we have yet experienced. The needed driving force must come from private economy. It will never come from a policy of governmental deficit financing. A continuation of that policy is certain to be a retarding influence in the long run, and the larger the public debt becomes in the process, the more of a drag it will be.

What Bonds to Buy

JAMES C. SHELOR, Trust Officer, Trust Company of Georgia, Atlanta.

THE question of what bonds to buy is always present. The trustee must endeavor to maintain a certain flexibility in any investment program, and United States bonds allow this to be done. The trustee is frequently forced to decide whether to hold cash uninvested until the appearance in the market of the ideal bond he would prefer to buy, or invest it in a bond that is available. The trustee, however, usually must buy when he has the money because the beneficiaries are clamoring for income and the courts will not allow him to hold the cash more than a reasonable time.

As a class, state and municipal bonds are rated next to United States Government bonds, although they present a slightly different problem to the trust investment officer. Here certainly is a field of legal investments into which the trustee must enter with caution and buy only where good business judgment dictates a purchase. The difficulty is not so much with the basic taxing authorities that issue the bonds, but with the numerous special taxing bodies, such as drainage and school districts that have sprung up in recent years. Many of these must live upon property values heavily taxed and the purchase of their bonds merely to obtain a high yield is not favored.

While at one time some trust men may have felt that an investment once made was a permanent holding until the distribution of an estate, experience has shown this to be in error. Change—for good reason and as part of a planned program—is always desirable. Do not take this to mean that a change away from Government and municipal obligations is necessary, but a change in our approach toward the use of these bonds may be helpful. They should be bought not merely from the position of today's market only, but from a long-range, planned viewpoint, to do which will require constant and diligent study.

Our Greatest Enemies

FITZGERALD HALL, President, Nashville, Chattanooga & St. Louis Railway.

SO far as America is concerned, the greatest enemies of democracy are not foreign nations, but foreign-thinking Americans who continuously seek to take more power and rights from the people to vest them in the office-holding oligarchy and to destroy the carefully established checks and balances which the people themselves ordained to prevent this thing.

Democracy does not mean or require equal, but equitable

Trust Conference

distribution of wealth. Real and lasting prosperity for the individual depends on his being willing and able to earn and to keep his proper share of what he produces. That is equitable distribution of wealth.

Democracy recognizes and gives effect to differences in individuals. It depends for successful leadership and existence on an aristocracy not of birth or inheritance but of character, capacity and achievement. It does not mean a society headed by a few supposed supermen who undertake to direct it.

Yale's Investment Formula

LAURENCE O. TIGHE, Associate Treasurer, Yale University.

AFTER considerable research and study, the finance committee of the Yale Corporation adopted a plan for handling the equities in the university's portfolio providing that fixed income securities should constitute 70 per cent of the portfolio and equities 30 per cent. Preferred stocks and bonds in good standing were classified as fixed income-bearing securities while defaulted bonds, preferred stocks paying no dividends and common stocks were classified as equities.

In figuring these percentages bonds in good standing were carried at their par value. A bond is a promise to pay and it matters little at what price it sells unless it is in default. All other securities were carried at market value.

It was then determined that if, through market appreciation, the percentage of the equities rose to 40, thus making the percentage of income securities 60, enough equities would be sold and the proceeds invested in income securities so that the resulting ratios would be 35 per cent for equities and 65 per cent for income securities. When the time to sell arrives, the same proportionate amount of each issue of stock in the portfolio is disposed of.

This necessitates having approximately equal amounts in readily marketable issues, but it is important as it avoids the inevitable arguments among committee members as to the relative merits of the various issues even though the decision to sell has been reached. If the market continues to advance and the 40-60 ratio is again reached, the process is repeated.

If the market declines so that the ratio of equities is 15 per cent and of income securities 85 per cent, then enough of the latter are sold and equities bought so that the resulting ratio is 20 per cent of equities and 80 per cent for income securities. If the market continues to decline, this operation is again repeated. Between these extremes, any issue can be sold provided the proceeds are invested in the same class of security. Depending upon conditions, volatile stocks can be sold and the less spectacular and steadier issues purchased or this process can be reversed.

This formula may sound complicated. But in effect it is very simple and easy to follow and operate. If adopted, it assures a proper relationship between the various classes of securities. It provides for the continual building up of the amount of fixed income bearing securities in the portfolio without lessening the possibilities of appreciation because of the elimination of equity holdings. It eliminates the hysteria of optimism or pessimism in determining when to buy or sell and over a period it should materially increase the income.

March 1940

A Word for Preferred Stocks

ROBERT S. DREW, Vice-president, Continental Illinois Bank and Trust Company, Chicago.

THERE is today a real dearth of high-grade corporate bonds at suitable prices, and this scarcity, combined with the related factor of low interest rates, constitutes a difficult problem for the trustee.

However, good preferred stocks are available in fair supply and while their present level of prices seems very high, they produce a better return than good bonds. Thus it is worth while to look into their investment merits as compared with corporate bonds.

As a general rule, the desirability of having a substantial portion of a trust fund invested in bonds is unquestioned, and the soundness of the policy of maintaining a "ladder," or diversification of maturities, is well recognized. But when we consider the merits of a given long term bond as against a given preferred stock, these questions may well be asked: Is it certain that the bond will be paid at maturity? Will it be to the advantage of the trustee to have his money at that time?

As to the first question, it is conceivable that under very adverse conditions a corporation might have difficulty in meeting a maturity. We have seen receiverships, and extensions of bond issues, result from maturities under such conditions. With reference to the second question, it is impossible to guess what money rates will be at some distant date.

To exclude industrial preferred stocks from a portfolio is to deprive it of participation in a very large proportion of established, successful, and promising enterprises. In the United States there are more than 200 leading industrial corporations, exclusive of utilities and railroads, whose securities are traded on the exchanges. Of these industrials, 60 have bonds or debentures outstanding in the hands of the public, while 70 have no bonds or debentures but do have preferred stocks outstanding.

The importance of these 70 corporations in the business structure of the country may be indicated by the aggregate book value of their assets, which is approximately \$10,500,000,000.

The market value of the preferred stocks of these corporations constitutes nearly one-third that of all industrial bonds and preferreds listed on the New York Stock Exchange.

MY conviction is that both mortgages and real estate furnish perfectly proper media for investment of trust funds, when and only when they are subjected to the same careful tests which are now applied to other securities.—BEN W. UTTER, Vice-president and Trust Officer, Title Guaranty and Trust Company, Los Angeles.

IF we can arouse and hold the customer's interest, we can serve him an "education" which will reward us with a far more sympathetic appreciation of our efforts in his behalf than we could otherwise hope for. Probate practice, trust department procedure, mechanical operations within the department should attract his active interest.—H. R. HARRIS, Vice-president, Central National Bank of Cleveland.

Instalment Paper in a Small Town

FRANK P. POWERS, President, Kanabec State Bank, Mora, Minnesota, before the Midwinter Conference of the NORTH DAKOTA BANKERS ASSOCIATION.

WE purchase practically all instalment paper with recourse, charging rates that are comparable to those of the large finance companies, and in the early years, these rates produced very profitable earnings. Even today, when rates have been materially reduced because of the competition of large finance companies and banking institutions, the return is much better than it is possible to secure on any other form of investment.

However, I would like to caution anyone who has not engaged in this type of financing against the promiscuous purchase of paper without giving serious thought to the proper safeguards that must be consistent with good banking practice. At the outset it is necessary to consider the financial stability of the dealer, and in case he is not sufficiently responsible, special arrangements should be made for sufficient reserve to take care of early losses. Experience has shown that after a substantial reserve is built up, this is not quite so important.

At the outset it is also necessary to give proper consideration to the financial responsibility of the maker, but it usually is necessary that all contracts offered be handled in order to establish satisfactory relations with the dealer.

It is very important that anyone engaging in this type of financing give special attention to the matter of collections. It is not necessary in a small size bank to set up a special department, but someone must assume the responsibility of watching delinquencies closely, because relations with dealers can become strained very easily if this is not done, and where monthly instalments are not paid promptly, your note pouch can quickly become a source of trouble.

We watch our paper very carefully, and at intervals of 15 days, every dealer from whom we purchase contracts is

furnished with a list of all delinquencies stating the amount delinquent and the date the payment was due. At that time we also write a letter to the maker regarding the delinquency and send a copy to the dealer. We also have an arrangement whereby the dealer follows this up with either a letter or telephone call.

At the time we purchase the contract we send out a form letter advising the maker that we have purchased the contract, stating the amount of the principal, the amount and due dates of the instalments and, if it covers an automobile, we advise what the insurance coverage consists of.

We supply all dealers with conditional sales contract blanks and credit statement forms. We order these in large quantities at a very nominal cost. The credit statement form is quite brief but is very helpful in determining the financial responsibility of the maker.

Practically all country banks operate an insurance department, and we are no exception. Obviously, the handling of instalment paper is very helpful to this department. Practically all automobile contracts require comprehensive and deductible collision insurance. In many instances it is also possible for us to write a full coverage policy. We have the agency for companies whose rates make it possible for us to compete very easily with the rates quoted by the large finance companies and where competition is keen this is a great advantage. We write all the policies in our office and make all adjustments on small losses, which tends to give the customer prompt and better service than would be possible if we were to handle this in some other manner. When making loans on high-priced refrigerators or under the FHA plan, it is possible to write fire and windstorm insurance.

Incidentally, we make a practice of requiring fire insurance in making all chattel mortgage loans and here again we have made arrangements to write this business for the farmers at a very nominal cost.

After 150 Years

Chief Justice CHARLES E. HUGHES at the ceremony celebrating the 150th anniversary of the first sitting of the Supreme Court.

IT is the unique function of this court not to dictate policy, not to promote or oppose crusades, but to maintain the balance between states and nation through the maintenance of the rights and duties of individuals.

But necessary as is this institution, its successful working has depended upon its integrity and the confidence thus inspired. By the method of selection, the tenure of office, the removal from the bias of political ambition, the people have sought to obtain as impartial a body as is humanly possible and to safeguard their basic interests from impairment by the partiality and the passions of politics.

The ideals of the institution cannot, of course, obscure its human limitations. It does most of its work without special public attention to particular decisions. But ever and anon arise questions which excite an intense public interest, are divisive in character, dividing the opinion of lawyers as well as laymen.

However serious the division of opinion, these cases must be decided. It should occasion no surprise that there should be acute differences of opinion on difficult questions of constitutional law when in every other field of human achievement, in art, theology, and even on the highest levels of scientific research, there are expert disputants. The more weighty the question, the more serious the debate, the more likely is the opportunity for honest and expert disagreement.

This is a token of vitality. It is fortunate and not regrettable that the avenues of criticism are open to all, whether they denounce or praise. This is a vital part of the democratic process. The essential thing is that the independence, the fearlessness, the impartial thought and conscientious motive of those who decide should both exist and be recognized. And at the end of 150 years this tribunal still stands as an embodiment of the ideal of the independence of the judicial function in this, the highest and most important sphere of its exercise.

Three Errors of Omission

ROBERT G. RODKEY, Professor of Banking and Investments, University of Michigan, before the AMERICAN ECONOMIC ASSOCIATION.

THE traditional emphasis of bank examinations is on what might be called the legal function and the auditing function. By the legal function is meant the duty of examiners to determine whether the individual bank is complying with all statutory and regulative requirements. By the auditing function is meant their duty to ascertain whether the actual facts are correctly disclosed in reports to supervisory and regulating authorities, and to appraise the soundness of individual assets.

Far more important than either the legal or the auditing function is what might be called the fiduciary function. By this is meant the duty of examiners in each individual bank of appraising the soundness of its general policies as distinct from the appraisal of its individual assets. Perhaps it is going too far to say that the soundness of individual assets is assured in those banks whose general policies are sound, but the two usually go hand in hand.

In recent years teeth have been put into banking statutes which give the supervisory authorities power to require discontinuance of clearly unsound policies or face dire penalties. Aside from the matter of national credit and monetary control the real justification of public supervision is to insure that banks shall remain sound. This being the case the supervisory authorities should insist that practices not consonant with sound banking, or which may lead to unsound banking, be altered. There is little doubt that banking practice today is sounder than it has ever been before, but there is still much room for improvement, particularly in smaller banks.

THE ACCRUAL BASIS

BECAUSE of the simplicity of the problem of correction from the supervisory standpoint the purpose of this discussion is to call attention to three errors of omission of which smaller banks are frequently guilty. The first is the failure to operate on an accrual basis, thus depriving the monthly and quarterly operating figures of real significance. Only year-end figures can really mean very much. It would be clearly unreasonable to require small country banks to install a costly and complicated accrual system which is designed primarily for purposes of control in large banks. But simplified variations have been developed which are entirely feasible for banks whose personnel comprises as few as six individuals. And even smaller banks could at least accrue their bond interest. When not even this is done premiums on bonds purchased are frequently charged to a premium on bond account which is later closed into the undivided profits account. The resulting decrease in the undivided profits account serves to deter banks from buying bonds at a premium. In order to avoid a decrease in the equity accounts these bankers are tempted to shop around for issues selling at a discount. This is particularly unfortunate at a time like the present when all good bonds sell at a premium. Failure of supervisory authorities to act positively in this matter thus tends to promote the purchase of non-quality bonds.

A second error of omission is the failure to maintain adequate credit files. It is well known that some supervisory bodies are not overlooking this problem, but perhaps they might be more insistent that their recommendations in this respect be carried out without unreasonable delay. In the

past far too many banks have met disastrous consequences because vital credit information was recorded only in the heads of individual officers responsible for loan policies.

The third error of omission is not only more serious but also more common. Reference here is to failure to maintain bond files. A good deal of stress was laid on this at the New York State Bankers Conference on Bond Portfolios and also at similar conferences held in other states. Nobody knows certainly whether bonds will continue to comprise as large a portion of earning assets as they do today, but there seems to be good reason for believing that the present situation is not merely temporary. For income reasons bankers do not find it expedient to confine their bond purchases to United States Government issues. But far too many bankers buy corporate and municipal bonds without the same careful scrutiny they give applications for loans.

As a matter of fact banks in general have not kept pace in their internal arrangements with the changed character of their business. The typical bank today is set up to make loans, not to buy bonds. In the average large metropolitan bank one is likely to find a large group of vice-presidents, junior officers and credit men engaged in analyzing potential loans most of which never materialize. On the other hand the investment department, which places most of the bank's money, is usually small in comparison. In the country bank with its limited personnel the selection of bonds is quite commonly supposed to require only a small fractional part of the time of the president or cashier or some other one officer.

No outside factor such as regulation, advisory services or security ratings can serve as a substitute for exhaustive investigation by the banker himself into the intrinsic merits of each bond before it is purchased, as well as a careful follow-up of all pertinent factors so long as it is in the bank's portfolio. If the supervisory authorities were to insist upon the building up of adequate bond files thousands of smaller banks would find it necessary either to buy only United States Government issues or to add to their personnel competent bond analysts, with the result that the quality of bond portfolios might be expected to improve materially over a period of years.

In the final analysis these are errors of omission—the failure to build up, as part of the regular routine, information essential for the determination of sound policies and to insure the presence of only sound assets. On these and other matters it seems obvious that the supervisory authorities should have definite, high standards and should insist upon these standards in all banks under their jurisdiction.

The Investment Banker

MARKET specialists who know the price of everything and the value of nothing are out of vogue in the investment banking business. The investment banker makes markets, not by manipulation, pegging, or otherwise artificially fixing prices, but by his activity in issues which he knows and follows closely. This is the function in which he brings the buyer and seller together. Neither sees or knows the other, but the investment banker provides the facilities, and in doing so furthers his own business, since the prospect of a good market gives the buyer added confidence in his purchase and sustains the credit of the issuing corporation.—JULIEN H. COLLINS, Vice-president, Harris, Hall & Co., Chicago.

Problems Far From Solved

ARTHUR A. BALLANTINE, Former Under Secretary of the Treasury, before the HISTORICAL SOCIETY OF PENNSYLVANIA.

The Currency

THE dollar in the old sense—something convertible at will into gold—is gone. The standard dollar is largely a concept and approaches a “fiat dollar”, the value of which depends on the stamp of the Government rather than upon extrinsic values.

The value of the dollar can be vitally affected by Government decision and policy. The President has authority, at any time, to reduce the theoretical gold content by as much as 15 per cent down to 50 per cent of the former value. Its value in international exchange can be reduced at any time by refusal of the Treasury to give up gold for export. Furthermore, the value could be affected by the issuance at any time, by authority of the President, of unsecured circulating notes of the Treasury—greenbacks—up to an amount of three billions. The dollar stands vulnerable to any crisis in Government credit.

Of course there are arguments for leaving the dollar so far detached from gold—arguments founded on its bearing upon freeing the domestic price level from the world price level, upon the business cycle, money rates and the bond market. Yet there must be recognition also of the dangers of possible run-away prices inherent in the detached dollar. Convenient dollars we have attained, only to find that we have by no means attained a universally accepted view as to what the dollar itself is to be, or how it is to be managed and protected. Difficulties on the point may prove to be greater than the currency difficulties of earlier days.

Deposits

ABILITY of the Federal Deposit Insurance Corporation to meet its guarantees depends mainly upon its holdings of internal debt of the United States, now amounting to some \$344,000,000, against deposits of about 22 billions covered by the insurance. The debt so held is not cash, but if need arose would have to be converted into cash by the Treasury through marketing operations. And if a heavy demand occurred it would likely be made at a time of pressure upon Government bonds, of which the insured banks themselves are such large holders.

In administration the Federal Deposit Insurance Corporation has done a great deal to improve the condition and prac-

tices of many banks. Yet the banks find themselves today pulled by the Government in two opposite directions. On the one side is the Federal Deposit Insurance Corporation pulling for security in loans and investments, while on the other are high Government officials and members of Congress pressing the banks to make more liberal loans.

Under changes in the banking laws, banks now make loans of a different character and for longer terms than formerly. Banks are examined now not only for the loans and investments they make, but also for those they reject. Where the greatest weight of the Government influence is to be placed it is difficult to say.

Mutual insurance by the banks of their deposits, however well administered, is at best a make-shift. Fundamental questions relating to the intrinsic treatment and security of bank deposits remain unsettled. The Federal Reserve Board said in its last annual report that: “The banking picture emerges as a crazy quilt of conflicting powers and jurisdictions of overlapping authorities and gaps in authority.”

We still have to consider whether we should continue to have both national banks and state banks operating under competing laws, or should bring all banks under one system of law and supervision. And in the administration of national laws, should all authority be brought under a single agency, or left scattered as now through four or five agencies? Should we adhere to unit banking, with branches generally limited to a single state or city, or follow the apparently successful developments of branch banking in England and Canada? These issues cut deep, present conflicting considerations, and still call for legislative solution.

The Supply of Credit

THE new Congress has before it different proposals, such as the Mead Bill, for “An Industrial Loan Corporation,” for the extension of the Government activities in business lending, particularly in furnishing accommodation to small industries, and they will undoubtedly get consideration.

It is the position of bankers generally that they are not only willing, but eager, to make, at very reasonable rates, any loan, however small, that is good. Extensive examinations which have been made seem to verify this position.

Today, as in recent years, the banks have funds that are not merely ample: they have excess reserves now exceeding five billions, a truly amazing figure, more than five times the peak reached before the boom of 1928 and 1929. These ex-

(CONTINUED ON PAGE 99)

THE belligerents should stop fighting and join their forces to help the Finns. They should fight in one line to rid the world and civilization of bolshevism.—Former Kaiser WILHELM in a letter to Poultney Bigelow.

FINLAND is now the protagonist in the case to which on a more vast scale this country (Britain) and its Allies are pledged.—The ARCHBISHOP OF CANTERBURY.

THE urgent need today is to restore competence in our national government.—District Attorney THOMAS E. DEWEY of New York County.

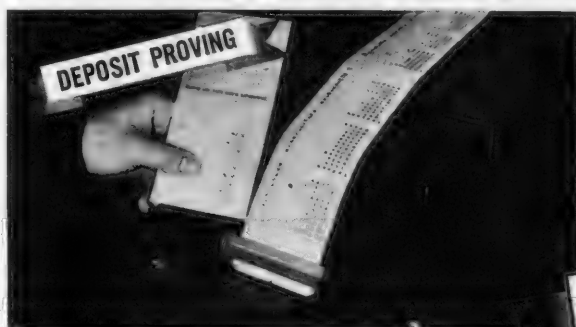
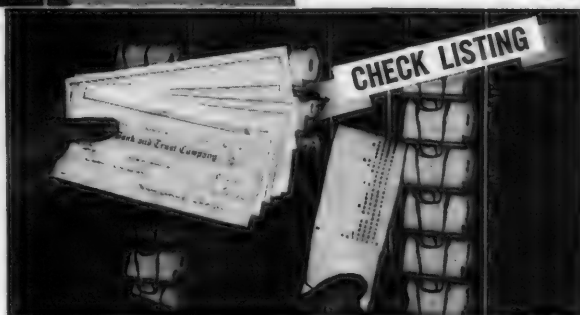
INDUSTRY does not propose henceforth to stand idly by while political demagogues, professional beaurocrats, irresponsible

business-baiters, and fomenters of class cleavage erect new barriers in the path of national unity.—H. W. PRENTIS, JR., President, National Association of Manufacturers.

I DON'T think you can expect any labor legislation in 1940. You are lucky if you save the National Labor Relations Act.—THURMAN W. ARNOLD, head of the Anti-Trust Division, U. S. Department of Justice.

I KNOW all the reasons that are given for the Russian invasion of Finland. I know all the reasons because I have heard them from my Communist friends—but I still say there is no excuse for a big nation to invade a small nation, and therefore our sympathies ought to go to Finland.—Mrs. FRANKLIN D. ROOSEVELT.

~~3~~ STEPS SIMULTANEOUSLY



*...and now a FOURTH operation
is performed by
the International Proof Machine*



A new endorsing attachment enables the International Proof Machine to effect greater savings in check-handling time than ever before. Four operations, instead of the former three, are now completed simultaneously. Each block of checks is automatically endorsed while being sorted, listed and proved . . . with no additional time or effort.

A Proof Machine equipped with this new device provides for the proper endorsement of outgoing exchanges and identification of

all incoming exchange items. Endorsements are printed by plates specially made to order for each bank and include dates as well as bank and block identification numbers. Either full endorsement or the block number and date may be printed as desired.

To learn complete details about this new time-saving Proof Machine advantage, write, phone, or visit the International office nearest you.

INTERNATIONAL BUSINESS MACHINES CORPORATION

World Headquarters Building
590 MADISON AVENUE, NEW YORK, N. Y.



Branch Offices
IN PRINCIPAL CITIES OF THE WORLD



SIGN OF A SOUNDER MORTGAGE RISK

G-E EQUIPMENT HELPS INCREASE THE BORROWER'S WILLINGNESS TO REPAY HIS MORTGAGE

Financial ability alone is *not* enough to assure a good mortgage risk—desire to retain ownership may be even more important.

A G-E equipped home makes a new experience out of living. Owners find that modern General Electric servants give them an entirely new standard of living... a standard they are reluctant to part with once they have discovered its convenience, ease, and economy.

A full complement of General Electric high-quality equipment for the home means the utmost in comfort, long life, and economical operation—and its inclusion in a house contributes to a sounder mortgage risk. Encourage your clients to use General Electric equipment. The satisfaction it provides is important to them as builders or owners, and to you as a lender.

HERE'S WHY G-E EQUIPPED HOMES ARE BETTER RISKS . . .



2. A G-E wiring system is carefully planned for expanding future loads and it reduces current losses. Outlets are arranged for greatest convenience, and all materials are of the highest quality.



3. Completely automatic, this G-E heating system delivers the temperature you want when you want it. It's noted for its low operating cost as well as its sturdy construction.

General Electric Home Bureau, Dept. B-403
1285 Boston Avenue, Bridgeport, Conn.

Please send me your notes on the advantages of using G-E equipment in modern homes.

Name.....

Address.....

City.....State.....County.....

1. No more washing dishes
... no more saving garbage
... no more cooking over a hot kitchen range... kitchen tasks are a pleasure in this complete G-E kitchen with a modern electric range and the amazing G-E electric sink that washes the dishes and disposes of garbage.

GENERAL ELECTRIC

Problems Far From Solved

(CONTINUED FROM PAGE 96)

cess reserves could probably support a commercial credit expansion approaching the size of the national debt. Today they are but idle funds.

Whether under these circumstances the Government should enter further into the banking field, taking further risk on loans which are not regarded as good by bankers, with the danger of encouraging unsound business enterprise, is a question of Government policy. The possibility of such action, however, tends to put pressure on the banks to sacrifice the quality of their assets.

Credit Control

REGULATION today seeks to deal protectively not merely with individual loans, but also with the total flow of credit—the amount of money that is loaned by the banks. That flow is intimately associated with the activity of industry and with the price level, and these it is sought to affect favorably through credit control.

In recent years the powers of the Governors of the Federal Reserve have been increased.

These increased powers, however, must be operated under conditions presenting new difficulties. A vast increase in bank deposits has come about, resulting in large part from Government deficit financing, and an amazing increase in bank reserves, resulting in large part from the huge importation of gold subsequent to devaluation. Action of the Federal Re-

serve banks is also conditioned by the fact that they now have some two and a half billions of Government securities. In addition, the Government itself is in the market from time to time for large loans for refunding and for new money. These considerations hamper any real limitation of credit.

The Federal Reserve System, important and helpful as it is, does not supply a panacea for all financial ills. We can hope that those who manage the System will always be wise and their decisions sound, but no automatic method of credit control has been discovered, and such control is but one factor in promoting healthy economic life.

The government today dominates the banking field, not merely as supervisor and regulator, but also as determining the policies upon which business activities so largely depend, and again as the supplier of Government obligations, which have become for the time the principal reliance of the banks.

The great question of the future is how the Government is to perform these many functions. One cannot help wishing that some of the newer duties of the Government could be discharged with more financial independence than under conditions of continued deficit financing. Even the hardest believer in Government deficit spending must recognize that the consequences of such spending create conflicts of interest between the Government's own needs and the need for independent and long-range banking.

In spite of all the progress that has been made, we must humbly admit that the problems of banking and finance are far from solved, and that there is as yet no one set plan for financial security and progress.

The Stuff Taxes Are Made of

Dr. KARL T. COMPTON, President, Massachusetts Institute of Technology, in an address at Rochester, N. Y.

WITH only a few minor exceptions the policies which have been followed [by political leaders] have been such as to discourage the development and fruition of new business enterprises based upon the invention and introduction of new products or services. Even in the message of the President of the United States to Congress, profound lack of understanding and appreciation of the role of technological progress was disclosed in such phrases as "we have not yet found a way to employ the surplus of our labor which the efficiency of our industrial processes has created", or "to face the task of finding jobs faster than invention can take them away—is not defeatism."

I have ventured to mention the attitude of some of our political leaders toward these matters because I believe that their attitude has not been for the best interests of the country, or even for the ultimate best interests of those portions of our population which have been described as "forgotten men", or to whose interest much of the recent legislation has been directed.

JOBS AND PROFITS

SUCH statements as those made by President Roosevelt focus attention upon the least important results of technological progress and even then handle the subject in such a superficial manner as to distort the real significance of efficiency in industrial production.

They ignore entirely the other and more significant aspects of technological progress which have created jobs, created employment, created profits and incidentally created the substance from which government taxes are collected.

THE American people are tired of life on a flying trapeze.—Senator ARTHUR H. VANDENBERG.

IN far too many cases the directorates of financial institutions substantially burdened with foreclosed real estate, rather than face the fact and market their steadily depreciating properties at current values, are, unconsciously, perhaps, engaging in one of the biggest real estate speculations of all time. For, in such cases, managements are refusing to sell at current levels, solely in the hope that at some future and undeterminable date, they will be able to get higher prices.—GEORGE L. BLISS, President, Federal Home Loan Bank of New York.

THERE are men in the Federal Trade Commission and the Department of Agriculture who hate national advertising. They want to destroy it because national advertising supports the free American press and the free American radio. And these New Dealers will not be satisfied until they clamp down their bureaucratic controls over the press and radio. If they can destroy national advertising they know that they will end the independence of the press and radio.—Representative BRUCE BARTON.

A Bank's Bond Portfolio

Bond portfolio conferences were held in several New York State cities last month under auspices of the New York State Bankers Association. Here are excerpts from a few of the papers presented at various meetings.

Have a Basic Plan

ROBERT L. GARNER, Vice-president and Treasurer, Guaranty Trust Company of New York, at the New York meeting.

CHANCES for the successful operation of a bank's bond account are greatly increased if a definite, but flexible, basic plan is first established. This plan should be formulated by the board of directors in writing and made a part of the board's minutes. The responsibility for carrying out this plan should rest upon an executive officer of the bank, aided by a younger man, and with the advice of an investment committee.

There should be an unswerving determination not to compromise with the principles behind this program. There is bound to be pressure exerted from time to time to lower the standards established, in the hope of increasing income or establishing a capital gain. The arguments which will be advanced in support of this or that transaction will be tempting, and superficially, at least, will appear plausible. However, the fact that a certain percentage of these suggested transactions may work out does not justify a bank in assuming the risks which they entail.

One of the best and most effective ways of increasing income is to curtail losses, and one of the most prolific sources of bond losses is to compromise with conservative investment standards in the hope of speculative gain.

Those of us who hope to discover an easy, automatic solution to the problem of bank bond investments are, I am afraid, predestined to failure. And yet this need not and should not lead to an attitude of defeatism or despair. As a matter of fact, this realization can be a definite asset to the extent that it causes us to distrust the panaceas and self-styled infallible systems which claim the ability to forecast the course of security prices.

Substandard Assets

ADRIAN M. MASSIE, Vice-president, New York Trust Company, at the Rochester meeting.

EXAMINE the list of bad assets, including loans, mortgages and bonds. If a decline of 25 per cent in value of these assets would wipe out 20 per cent of the net sound capital, the situation becomes risky and steps should be taken to correct it. Since it is difficult, if not impossible, to dispose of any substandard assets except bonds, it might be necessary to take steps to dispose of some of these.

This formula, stated another way, would be that when the volume of bad assets amounts to as much as 80 per cent of the net sound capital, steps should be taken without delay to correct the situation. We know from experience that substandard assets can depreciate 25 per cent very easily and quickly. In the case of a bank which has a relatively small amount of surplus and undivided profits, the bad assets should be compared with this sum and should never exceed 300 per cent of the total of surplus and undivided profits.

Putting these two methods together to take care of banks with different types of capital structure, we arrive at a fair guide by using the rule that the volume of bad assets should never, under any circumstances, be permitted to exceed 80 per cent of net sound capital or 300 per cent of surplus and undivided profits, whichever is smaller, without steps being taken immediately to correct the position.

Remember that in applying this rule we are including all bonds rated A or BAA in the substandard group. Many of these bonds are selling today at substantial premiums and do not presently appear to present any problem. Such bonds, however, suffer much depreciation just as soon as business falters and earnings decline.

Vulnerability to Yield Change

JOSEPH E. MORRIS, Assistant Vice-president, City Bank Farmers Trust Company, New York, at the Albany meeting.

THE first step necessary in setting out a policy for a bond account—and by bond account is meant high-grade bonds—is to determine the net sound capital and net sound surplus and undivided profits. Since each banker should determine to prevent any capital impairment, the net sound surplus, undivided profits and reserves constitute the real margin for bond fluctuations.

In figuring this sound position we will assume that due allowance has been made for all doubtful loans, mortgages and depreciated investments. After we have allowed for proper cash reserves we will also know the amount available for investment.

The problem is then resolved into two factors: the amount available for investment, or the total investments if already fully invested, and the sound total of surplus, undivided profits and bond reserves. Having determined these two known factors we can then set up our bond account or test our present bond account to determine its vulnerability to a change in the prevailing yield on high-grade bonds.

It is our suggestion that the investments be staggered as to maturity so as to fall due periodically in approximately equal amount. I can see no objection, however, to the segregation of a certain portion of the account entirely in short-term securities, if you feel that to be the desirable course. We are then in a position to determine with mathematical exactitude the temporary depreciation that might be encountered with any assumed change in the prevailing yield.

Unfortunately we have to cast mathematics aside at this point and we must do some free lance guessing as to possibility of change and the extent of the change. With some reservations and with the right to change our ideas at some later date, it is suggested that you allow in your calculations for a change of as much as 1 per cent in your total average yield. This should provide a very conservative margin under prevailing conditions. Even though this part of your calculation does call for some guessing, we think it does have the element of a sound policy, since it is related to your entire picture.

Furthermore, it will eliminate the purposeless trading in and out of various issues that often follows news from Europe or transactions based on ordinary rumors. On the other hand, we don't mean to imply that your policy should be rigid. You may disagree now as to the 1 per cent protection or you may find in time that this is too much or too little, in which case you should shift the emphasis to a new base.

THE PENNSYLVANIA RAILROAD

SUMMARY OF ANNUAL REPORT FOR 1939

THE 93rd Annual Report of the Pennsylvania Railroad Company covering operations for 1939 will be presented to the stockholders at the annual meeting on April 9, 1940. Total operating revenues increased \$70,546,537 or 19.6% over 1938. Operating expenses increased \$49,853,592 or 19.4%. Net income was \$32,032,525 as compared with \$11,046,100 in 1938. Surplus was \$23,177,686 equal to 3.52% (\$1.76 per share) upon the outstanding Capital Stock (par \$50) as compared with 0.46% (23¢ per share) in 1938.

OPERATING RESULTS

	1939	1938
TOTAL OPERATING REVENUES were.....	\$430,930,778	\$360,384,241
TOTAL OPERATING EXPENSES were.....	306,900,835	257,047,243
LEAVING NET REVENUE FROM RAILWAY OPERATIONS of.....	124,029,943	103,336,998
TAXES AMOUNTED TO.....	40,095,847	37,225,328
HIRE OF EQUIPMENT AND JOINT FACILITY RENTS were.....	6,629,768	8,778,772
LEAVING NET RAILWAY OPERATING INCOME of.....	77,304,328	57,332,898
INCOME FROM INVESTMENTS AND OTHER SOURCES was.....	36,864,230	36,226,180
MAKING GROSS INCOME of.....	114,168,558	93,559,078
FIXED CHARGES, CHIEFLY RENTALS PAID TO LEASED ROADS, AND INTEREST ON THE COMPANY'S DEBT....	82,136,033	82,512,978
LEAVING NET INCOME of.....	32,032,525	11,046,100
APPROPRIATIONS TO SINKING AND OTHER FUNDS, etc....	8,854,839	8,035,319
SURPLUS.....	23,177,686	3,010,781

A dividend of 2% (\$1.00 per share) was paid December 18, 1939 and charged to Income as against a dividend of 1% (\$.50 per share) which was paid December 20, 1938 and charged to Profit and Loss.

The Management, through the press, has kept the stockholders informed as to the earnings and finances of the Company, and the progress made in improving the service. The security holders, the public and the employees have been extremely helpful, and it is through such cooperation that your Company is able to give good service, pay good wages, meet its obligations and pay dividends.

M. W. CLEMENT, *President*

THE PENNSYLVANIA RAILROAD

TRAVEL AND SHIP VIA PENNSYLVANIA

*Stockholders can obtain copies of the Annual Report from
J. Taney Willcox, Secretary, Broad Street Station Building, Philadelphia, Pa.*

A Rule of Thumb on Time Deposits

STEPHEN M. FOSTER, Economist, City Bank Farmers Trust Company, New York, before the Midwinter Meeting of the WISCONSIN BANKERS ASSOCIATION.

ABANK should look upon the interest that it pays on time deposits, not as a fixed charge, but as a highly flexible item the total amount of which depends upon the bank's net earnings situation before these interest payments have

been made, but after the bank's bond portfolio has been made to conform to the high degree of conservatism required by the nature of the banking business.

If the interest on deposits is viewed in this light by banks, then banks can regard their security portfolios in their proper light—as media of investment, whose prime requisite is solidarity of principal value and whose secondary requisite (and not a very close second

at that) is the production of a very modest and conservative yield in keeping with the return offered by other highest grade dollar obligations of appropriate maturity.

Far too many banks decide that for one reason or another they wish to pay interest at such and such a rate on their time deposits. That decision gives them practically a fixed operating charge which, when added to other operating costs, calls for a higher rate of yield from the bond portfolio than can be derived with requisite safety.

Under the circumstances I suggest a simple rule of thumb method of putting into effect what seems to me to be a highly important policy of bank operation. I suggest that to your fairly accurately known income from loans, and your fairly accurately known miscellaneous income, you add a conservative yield on your bond account which at the minute we can take as about 2 per cent. There is nothing sacred about this 2 per cent.

The actual percentage might be different for every bank, depending upon a variety of conditions. In selecting 2 per cent I merely had in mind the desire to suggest a conservative yield—one which in today's money market could be derived from a very high grade group of dollar obligations, well diversified as to maturity.

GROSS OPERATING INCOME

THE sum of these three items, that is to say, the sum of income from loans, miscellaneous income, and 2 per cent on the bond account, should be added together and should be considered as constituting, at least for the moment, your gross operating income.

From that total deduct all items of operating expense other than interest on deposits. Now consider that the next charge against income is a reasonably adequate provision for reserves against losses and/or return on capital. I suggest that $\frac{9}{10}$ ths of 1 per cent of total assets might be considered a proper allocation to this capital account.

The balance of total income, after this final deduction for capital account, should be considered as the basis for determining what payment shall be made on time deposits. This by no means indicates that interest payments on time deposits must equal this residual sum, but I do urge that in no case should an amount of interest greater than this residual sum be paid out.

CONVENTION HEADQUARTERS AMERICAN BANKERS ASSOCIATION*

Special Convention Rates to A. B. A. Members

*Regional Conference March 6-8

This important conference again shows the preference that bankers and other business leaders have for The Waldorf-Astoria. The Waldorf is convenient to railway and airway terminals; easily accessible from all New York's financial and business districts. And it's the place, too, for your personal headquarters—homelike rooms equipped with every modern convenience—restaurants offering a wide variety of menus and prices—and within strolling distance is the smart world of New York clubs, theatres and shops.

THE WALDORF-ASTORIA

Park Avenue ■ 49th to 50th ■ New York

Out-of-Town Banks

Out-of-town banks and bankers will find here complete banking facilities for prompt and economical handling of accounts in Chicago. We would appreciate the opportunity of serving you.

CITY NATIONAL BANK

AND TRUST COMPANY of Chicago

208 SOUTH LA SALLE STREET

(Member Federal Deposit Insurance Corporation)



WHY Double Check?

Now for the first time you can get an accurate, printed record of every figuring problem, with **ONLY ONE RUN** of the figures!

Here's DIVISION... 1940 - STYLE

It's direct...it's automatic...and every factor of every problem is printed on the tape. Here's a problem in percentages—the kind that most businesses encounter every day. The salesman's salary and expenses for the week were \$124.87. His sales totalled \$1,974.53. The tape shows the sales expense to be 6.32%.

```

0 1 2 4 8 7 0 0 0 0 *
0 1 9 7 4 5 3 0 0 0 0
6 1 9 7 4 5 3 0 0 0 0
3 1 9 7 4 5 3 0 0 0 0
2 1 9 7 4 5 3 0 0 0 0
    1 9 7 4 5 3 0
      7 9 7 0 4 *
  
```

Here's MULTIPLICATION... 1940 - STYLE

It's electric...it's fast...and again, all factors are printed on the tape. Here is what the tape looks like when you're extending orders or pricing requisitions or computing payrolls, inventories, etc. 24 items at \$2.14, 36 items at \$5.50 and 14 items at \$10.50 total \$396.36.

● Mechanical division and multiplication, with the whole answer in printed form, is one of the modern miracles you have come to expect in this inventive age. These two problems show more than that. They have opened the eyes of executives in every line of business to one important fact... here is a way to insure positive accuracy to business arithmetic, without the slightest loss in figuring speed. You can put this modern miracle to work for *you*. Think how many times you can profitably use a printed record of important calculations... then investigate this business machine that means business!

And here's the PRINTING CALCULATOR

The only machine in the world that can produce these tapes... the only one that gives you a permanent record of every figuring problem you have. If you value accuracy that's proven the first time and *printed*... if you dislike the delay and uncertainty of running the figures a second time and copying the result from dials... then by all means see the Printing Calculator. It's a sensational machine and it does sensational things. You owe it to yourself to get a free and complete demonstration. Phone our nearest branch office today!



Remington Rand Inc.

BUFFALO :: NEW YORK

IN CANADA: 199 BAY STREET, TORONTO

WORLD'S LARGEST MAKERS OF ADDING AND BOOKKEEPING MACHINES, SYSTEMS AND EQUIPMENT

BY establishing correspondent relationships with the Chase, banks throughout the country give their own customers—farmers, manufacturers, merchants—the advantages of additional facilities. In turn the Chase calls on these banks for many valuable services and through them figuratively feels the pulse of the nation's business. Through the Chase, correspondent banks speed their collections, secure loan accommodations on short notice, obtain up-to-date information on trade conditions and investments, expedite transfers and keep posted on the current financial standing of American and foreign corporations. Thus they broaden their own service to customers.

THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK

Member Federal Deposit Insurance Corporation

EVERY BANK
EXECUTIVE
WILL WANT
THIS BOOK *



During recent years bankers have become increasingly concerned with a declining trend in the volume of loans and investments, coupled with an upward sweep of bank operating costs. Bank profits, as a result, have become dependent largely on the extent to which expenses can be controlled and operating efficiency increased. This book, just published, is intended to be of assistance to bankers interested in these problems.

The material presented in "Bank Management Control" is the result of long experience in analyzing bank operations. The author, E. S. Woolley, Director of Banking Installations for George S. May Company,

is widely known as an authority on subjects relating to bank management. His articles on operating problems which appeared in *BANKING* during the past year have been a source of interest to the entire banking profession.



"Bank Management Control," an attractively bound volume of 150 pages containing 28 explanatory exhibits and tables, will be sent free to any bank executive in the United States and Canada who makes the request on his official letterhead and designates his executive position. To others the price is \$5, postpaid. Requests should be directed to any of the George S. May Company offices listed below.



GEORGE S. MAY COMPANY

CHICAGO
2600 North Shore Ave.

SAN FRANCISCO
111 Sutter Street

HOUSTON
608 Fannin Street

NEW YORK
122 East 42nd Street

CANADA: George S. May, Ltd., 320 Bay St., Toronto
OFFICES IN 15 OTHER PRINCIPAL CITIES



In the last five years we have introduced
a complete line of *NEW MODELS*.

In the last five years our sales have
increased over *500 PERCENT*.

We will send you a booklet describing our machines
if you will be kind enough to write for it.

ALLEN WALES ADDING MACHINE CORPORATION

444 Madison Avenue, New York, N. Y.

SALES AND SERVICE IN 400 AMERICAN CITIES AND IN 40 FOREIGN COUNTRIES

Manufacturers of Adding Machines Since 1903

